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GE Annual Report

Financial Highlights

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1986	1985	Percent increase
For the year			
Revenues	$ 36,725	$ 29,252	26%
Net earnings	2,492	2,277	9
Return on average share owners' equity	17.3%	17.5%	
Return on average total capital invested	13.9	16.2	
Per share			
Net earnings	$ 5.46	$ 5.00	9%
Dividends declared	2.37	2.23	6
Market price range	88¾-66½	73⅞-55⅝	
At year end			
Total capital invested	$ 21,462	$ 15,847	35%
Share owners' equity	15,109	13,671	11
Borrowings as a percentage of total capital	28.7%	12.9%	

Financial information for 1986 includes RCA results from June 1, 1986. Information for 1985 has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. (See note 1 to the financial statements.)

Contents

Operational Highlights

The singular events of 1986 underscored GE's continuing strategy to be a world leader in technology and services while maintaining a strong base of core manufacturing businesses.

RCA merger completed

In the biggest non-oil merger in history, GE paid $6.4 billion for RCA Corporation. The merger, completed in June 1986, gives GE a leadership role in broadcasting and consumer electronics and strengthens our position in aerospace technologies and in communications and services.

Strategic alliances increased

GE accelerated the use of joint ventures and other alliances to open or expand market opportunities. Our Factory Automation business formed an alliance with FANUC LTD of Japan; Plastics and PPG Industries, Inc. created Azdel, Inc.; and Medical Systems increased its investment in a Japanese joint venture — Yokogawa Medical Systems.

UDF engine flight-tested

A major milestone in aircraft engine history was reached in August when our new UDF® engine successfully passed its first flight tests. The UDF engine offers the potential of up to a 40% fuel savings over current turbofan engines.

To Our Share Owners

By almost any measure, 1986 was a strong year for your Company — record sales, record earnings, several successful acquisitions and excellent positioning for the future. But to put 1986 in full perspective, one has to go back to 1981 when we first enunciated the strategy that has guided GE through the 1980s.

In 1981, we said that the world was going to get much more competitive, characterized by slower growth with more companies after a smaller pie. That analysis became the cornerstone of what we set out to do. It led to the strategy of being number one or number two in our large key businesses, which we have grouped into technology, services and core manufacturing.

Within that framework, we sold or exited businesses and product lines that weren't central to our strategy, and became much more cost-effective in what we own by consolidating facilities, where needed, and by investing $11.6 billion in our businesses to develop new products and improve productivity.

At the same time, we reduced our work force by more than 100,000, but the strength of our balance sheet allowed us to do so in ways that were fair and compassionate to those involved. Lengthy notification periods, equitable severance packages, retraining and placement centers were used whenever business realities caused us to close a plant or exit a business.

We have also accelerated the use of alliances and joint ventures; 12 of them were either started or expanded in 1986 alone. We view alliances as a means to expand product lines, to open new markets, to become more competitive with existing products in existing markets, and to reduce the investment and time it takes to bring good ideas to our customers.

Our acquisitions — the most visible being Employers Reinsurance Corporation, RCA and Kidder, Peabody — plus internal growth during the past six years have helped shift the overall GE mix toward faster-growing services and technology businesses. In 1986, 70% of our key business net earnings were in technology and services compared to 50% in 1981. Significantly, this shift was accomplished while earnings grew 30% in core manufacturing over these years.

Our positioning for the future has also produced significant growth for investors. For example:

- Earnings have risen 9% a year compounded since 1981, 32% faster than the GNP over the period.
- Our stock, through appreciation and yield, has grown 29% a year compounded. And we have moved from number 10 in market value among all U.S. corporations to number three.
- We absorbed restructuring costs for plant consolidation and employee assistance without taking any one-time restructuring charges of a size that could have broken our string of steady earnings increases.

The acquisition of RCA in 1986 was a significant step in the continuation of our strategy. RCA has been a member of the GE family since June, and GE and RCA managers, working together, have accomplished much:

- We have added to GE an important new business in NBC, an enterprise with $3 billion in annual revenues and a leadership position in the broadcasting industry.
- In several business areas where GE already participated — aerospace and defense, communications and services, consumer electronics, and semiconductor — integration plans have been defined, management teams put in place and actions initiated that will obtain the greatest advantage from our combined strengths.
- RCA's record company, carpet business and insurance firm, none of which fit GE's long-term strategy, and notes from RCA's 1984 sale of CIT were sold for a total of more than $1.3 billion.
- Corporate staffs have been combined and streamlined, making sure that qualified people in both organizations were retained.

RCA added 14 cents per share to GE's earnings in 1986, even after allowing for all acquisition costs. And we expect the RCA contribution to increase in 1987.

"As we look to the future, we see a growing confidence within GE. Confidence in the prospects of the key businesses and confidence in the men and women who run these businesses."

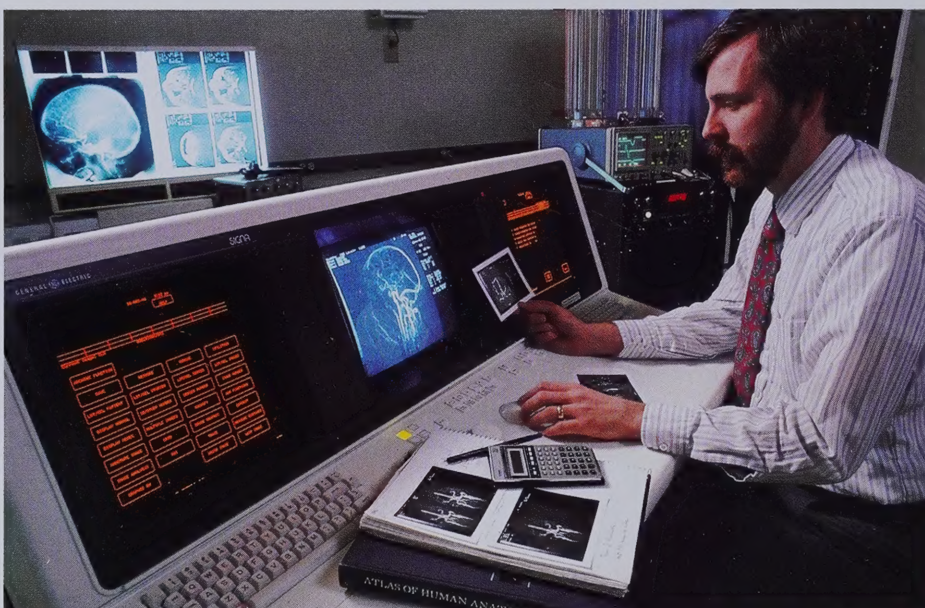
Looking at GE's three groups of key businesses at the end of 1986, we believe we have accomplished much of what we set out to do in 1981 — developing one of the most competitive and winning sets of businesses in the world by the end of the decade.

GE's five technology businesses — Aircraft Engine, Aerospace, Plastics, Medical Systems and Factory Automation — all have the ability to reach beyond today's boundaries and to anticipate tomorrow's needs. During the 1981-86 period, earnings in these businesses grew at an average annual rate of 26%. For the future, the combination of GE and RCA in Aerospace creates a formidable competitor in the industry. Our other technology businesses are all using alliances to add significantly to their already strong worldwide positions. Some of these alliances are Aircraft Engine's long-term alliance with SNECMA of France and newer alliances involving Plastics with PPG Industries and others, Medical Systems with Yokogawa of Japan, and Factory Automation with FANUC of Japan.

The mix of our services businesses has changed markedly since 1981, and they have grown from providing 20% of key business earnings at the start of the period to 29% in 1986. NBC brings to GE its role as a premier provider of TV programming and its current

Chairman and Chief Executive Officer John F. Welch, Jr. (center), Vice Chairman and Executive Officer Edward E. Hood, Jr. (left), Vice Chairman and Executive Officer Lawrence A. Bossidy (right).

R&D in 1986 was aimed mainly at advancing aircraft engine, aerospace, plastics, medical systems and factory automation technologies. For example, Dr. Charles L. Dumoulin (below) of the R&D Center in Schenectady, N.Y., helped develop an improved approach, now in clinical trials, that uses the GE Signa® MR scanner for diagnosing diseases linked to arteriosclerosis and stroke.



position as the top network. GE Financial Services has been strengthened by the addition of Kidder, Peabody to an already strong lineup including General Electric Credit Corporation (GECC) and Employers Reinsurance Corporation, which we acquired in 1984. In just six months, Kidder, Peabody added 4 cents per share to GE's earnings, after accounting for acquisition costs, and is an excellent fit with GECC in several areas, such as providing distribution capability for GECC's growing nationwide origination capability. Communications and Services combines several RCA and GE operations to form a business with almost $2 billion in annual revenues.

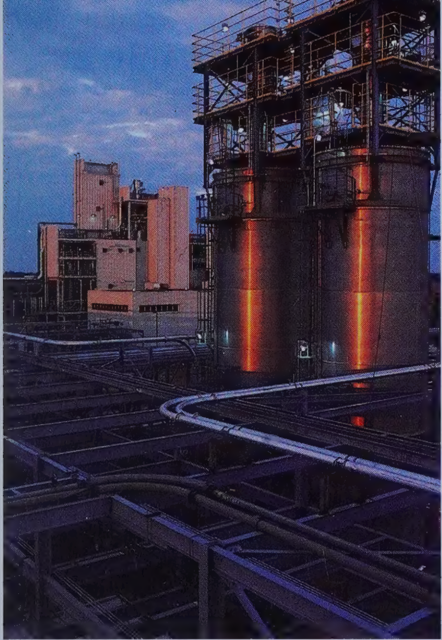
Our six core manufacturing businesses — Major Appliance, Lighting, Power Systems, Construction Equipment, Transportation Systems and Motor — have maintained commanding or leading market positions by striving to become the low-cost, high-quality global competitors. Since 1981, earnings of these businesses as a group have increased at an average annual rate of 8%, while investments of more than $2.6 billion have been made to help ensure continued strength into the next decade.

Among our support businesses, Consumer Electronics combines RCA and GE operations to provide a leadership position in a very visible, but difficult, market. A talented business team in the GE/RCA Consumer Electronics business has the Company's full support as it undertakes a concerted effort to succeed in a volatile worldwide environment. Our other support businesses — Semiconductor, Ladd Petroleum, Corporate Trading Operations and International — also help GE businesses to win in world markets. In the international arena, Canadian General Electric, for example, has posted strong gains in an important national market and continues to develop unique products to serve global markets.

Looking specifically at 1986 performance, some of our businesses had excellent years, but a number of our key markets were characterized by severe global competition and sluggish growth. Overall, net earnings were $2.492 billion, an increase of 9% from $2.277 billion in 1985. Earnings per share were $5.46 for 1986 compared to $5.00 for 1985. Sales for 1986, which reflect RCA for the last seven months, were $35.21 billion, about 24% more than 1985's $28.29 billion.

Our strong performance has been accompanied by continuing investment in the future of our businesses. Research and development expenditures in 1986, excluding RCA, were $2.9 billion, up 14% from 1985. Expenditures for plant and equipment were about $2 billion.

Several key businesses had excellent years. Aerospace, Aircraft Engine, Financial Services, Major Appliance, Medical Systems, NBC and Plastics, for example, all achieved double-digit growth in earnings. On the other hand, extremely difficult markets in Power



Representing an investment of $325 million, this new Lexan® polycarbonate manufacturing facility is nearing completion at Burkville, Ala. It is GE's largest single investment in the Plastics business.

Systems, Motor, Construction Equipment and Transportation Systems have caused these businesses to consolidate operations and to redesign products to become even more cost-competitive in anticipation of a time when demand rises. In Power Systems, a sharp downturn in shipments in what historically had been one of GE's most profitable businesses resulted in a negative earnings swing of more than $150 million in 1986, but the growth of other GE businesses allowed the Company to have a record year.

In 1986, GE continued its commitment to ensuring ethical behavior by all employees in business dealings with the government. New policies and procedures instituted in 1985 — including establishment of a Compliance Review Board and an ombudsman — were emphasized with Companywide communication and training. We continue our policy of voluntary disclosure of problems to appropriate governmental authorities, and the government continues to cooperate in our efforts to ensure compliance in the complex area of government contracting.

GE also participated in an industry initiative that produced a set of six principles of business ethics and conduct for the defense industry. These principles were incorporated into the final report given to the President by the blue-ribbon commission headed by David Packard, former deputy secretary of defense, which was charged with suggesting reforms for the nation's defense procurement system. To date, 37 companies representing about half of all defense procurement dollars spent have pledged to implement these principles. We are optimistic that the work of the Packard Commission will result in a more cost-effective, less adversarial system of meeting the nation's defense needs.

Our outlook for the economy during the next couple of years is for modest growth in the GNP.

Our businesses are positioned to do well in such an environment. We expect eight of them — Aerospace, Aircraft Engine, Factory Automation, Financial Services, Major Appliance, Medical Systems, NBC and Plastics — to grow faster than the GNP over the next five years. And we anticipate they will account for about 80% of our earnings by 1991 — up from 73% in 1986. We expect the remainder of our key businesses, those in more difficult markets, to grow at about the GNP rate.

The competitiveness of many of our businesses — and indeed much of American industry — is linked inextricably to their ability to trade freely in world markets.

Protectionist trade legislation will again be debated in 1987. It is our view that open, free trade is one of the main engines of economic growth, prosperity and jobs. While we strongly support the government's efforts to improve exports through a more competitive dollar and other export initiatives, we oppose measures that endanger the international trading system and ultimately drive up the cost of domestic manufacturing.

As we look to the future, we see a growing confidence within GE. Confidence in the prospects of the key businesses that will carry us forward and confidence in the men and women who run these businesses.

Leadership at GE means creating a vision for, and within, each business. It means articulating that vision so clearly that an entire organization can rally around it and, more important still, achieve its goals.

This kind of leadership — vision plus achievement — is not reserved for only those businesses doing well. In some cases, the people in our most beleaguered businesses understand the realities of their markets even better than those in

At GE's Management Development Institute in Ossining, N.Y., new facilities and expanded curricula for new managers like those below as well as for experienced executives are helping assure the excellence of GE's future leaders.

businesses that, for the present, are growing rapidly.

Leadership is also not restricted to any one level of the Company. It's an engineer in our Aerospace business seizing an opportunity for new business, gathering a team and pursuing the order — potentially more than a $1 billion order — until it is won. It's a production worker who shuts down a Major Appliance production line upon spotting a potential quality problem. It's a Power Systems manager who makes the difficult, but necessary, decision to close a marginal operation and who then uses the financial strength of the Company to soften the landings for those affected.

While we derive strength from the diversity of GE's businesses, we are also proud that the men and women who lead them share a strong set of values:

- They accept that change is a constant and that success is measured by how well we shape tomorrow.
- They recognize that customers' needs, not internal bureaucracy, are the real drivers of our activities.
- They practice open, candid, interactive, continuous communication up, down and sideways in our organizations — and externally to all our publics — convinced that this is the only way to gain trust and commitment.
- They understand that moral, legal and ethical behavior at all levels is a fundamental prerequisite for working at GE.

In summary, GE is a unique set of different businesses run by a unique group of people with different talents — united by the Company's shared values and strengthened by its human, technical and financial resources. Whether it is Financial Services' ability to adapt to its market environment, or Medical Systems' technology leadership, or Aircraft Engine's and Plastics' use of creative alliances, GE's key businesses are all leaders in the markets in which they participate. We believe your Company has a future unmatched anywhere in the world. And the people of GE are committed to seizing that future.

John F. Welch, Jr.
Chairman and
Chief Executive Officer

Lawrence A. Bossidy
Vice Chairman and
Executive Officer

Edward E. Hood, Jr.
Vice Chairman and
Executive Officer

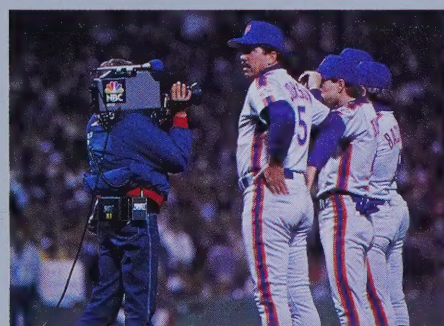
February 13, 1987

Strategic Businesses

GE has a unique set of 14 key businesses — businesses that provide strong market leadership in technology, in services and in core manufacturing.

Our five technology businesses — *Aircraft Engine, Aerospace, Plastics, Medical Systems, Factory Automation* — form a significant thrust into the global market for advanced technology.

Our three services businesses — *GE Financial Services, the National Broadcasting Company, Communications and Services* — give GE a major position in the fastest-growing segment of the economy.



Our six core manufacturing businesses — *Major Appliance, Lighting, Power Systems, Construction Equipment, Transportation Systems, Motor* — aim to be the low-cost, high-quality global competitors.

Our five support operations — *Consumer Electronics, International, Corporate Trading, Ladd Petroleum, Semiconductor* — enhance the ability of our 14 key businesses to compete successfully in domestic and foreign markets.


Lufthansa
88-659

Technology Businesses

Our growth in technology is linked with our ability to spread ideas and innovations around the globe, to reach beyond today's boundaries and to anticipate tomorrow's needs.

GE leadership in aircraft engine technology was reinforced in 1986 by record sales of commercial engines, such as the CFM56-3 model on this new Lufthansa airliner in Frankfurt, West Germany, and by the first flight tests of the revolutionary UDF® engine below.

The worldwide expansion of our technology businesses continued during the year.

- Aircraft Engine set record sales.
- Aerospace combined the strengths of GE and RCA.
- Plastics added new partners and plants.
- Medical Systems increased its global efforts.
- Factory Automation formed an important international alliance.

These five businesses, which have grown earnings at an average annual rate of 26% during the 1981-86 period, form a significant thrust into the global market for advanced technology.

For the second year in a row, the Aircraft Engine business set a record for commercial engine sales.

Overall sales reached an all-time high, too, with 2,552 jet engines shipped to commercial, military, marine and industrial customers.

On the commercial side, the big seller was the CFM56-3 engine. One of a family of engines marketed by CFM International (a joint company of GE and SNECMA of France), the CFM56-3 has gained worldwide popularity on the Boeing 737-300 and 737-400, with 120 of these GE-equipped aircraft delivered in 1986.

The CF6-80C2, the Company's most advanced high-bypass turbofan engine, captured more than half of the engine orders for medium- and large-size aircraft in 1986. Since its market introduction in 1983, the CF6-80C2 has reached $1.2 billion in orders, most of which have been for export.

Military engine sales were outstanding as well. The Company's F110 engine, which was in its first full year of production in 1986, continued to win a major share of the U.S. Air Force's requirements for F-16 fighter engines. The F110 engine was also selected to power F-16s for the Greek air force, its third overseas application.

A significant sign of the future was the successful flight-testing of GE's revolutionary UDF® engine.

With its thin, highly curved fan blades, the UDF engine is expected to give airlines up to a 40% fuel savings over current commercial turbofan engines. Airframe manufacturers are evaluating its use on medium-size aircraft expected to be in airline service in the 1990s.

The new combination of GE Aerospace and RCA Aerospace and Defense businesses makes the Company an industry leader in designing, developing and integrating electronic systems for defense, space and aviation needs.

GE Aerospace, for example, received a major contract award from the U.S. Navy to develop CASS — a consolidated automated support system for avionics testing aboard aircraft carriers. The initial award, worth more than $100 million, could lead to future contracts of more than $1 billion.

RCA Aerospace and Defense continued to build on its success with the Aegis air fleet defense system. Now in its 19th year, Aegis is a computer-controlled weapons system designed to protect America's fleet. During the year, the fourth and fifth Aegis-equipped cruisers, the USS *Valley Forge* and USS *Bunker Hill,* were commissioned. Current Navy plans call for another 22 cruisers and 29 destroyers, all equipped with Aegis, to

Technicians Gene VanKirk (top) and Clarence Wagner (bottom) check a new GSTAR III communications satellite after it spent 30 days "weathering" the simulated outer space environment inside this thermal vacuum chamber at the Company's Astro-Space facility in East Windsor, N.J.

Designers like Bill Loh (left with co-op Steve Cook) at GE Plastics in Pittsfield, Mass., are creating new ways for technopolymer structures to replace metal in vehicles and other products, just as Lexan® resin (below) has become a popular replacement for metal and other traditional materials.

be built for the U.S. fleet by 1998. In addition, both NATO and Japan have shown interest in using Aegis-type systems on new classes of ships.

The Company received other significant defense contracts in 1986 to design a combat control system for submarines, to build communications security equipment for the U.S. Army and to construct an over-the-horizon radar system on the West Coast. It also opened an advanced airmanship center that uses a GE flight simulator to train F-5 pilots.

The combined resources of GE and RCA make the Company a leader in the design and manufacture of satellite systems.

A total of 60 satellites — for communications, meteorology, science or defense purposes — are currently in design, assembly or test by the newly formed Astro-Space Division. Included are the Upper Atmosphere Research Satellite (UARS) and the Advanced Communications Technology Satellite (ACTS), an in-orbit experiment and demonstration of tomorrow's communications satellite technology. In addition, three satellites were successfully launched in 1986, bringing to 112 the number of satellites built by GE and RCA over the years and placed into orbit.

Launching new ideas has helped make the Company a world leader in engineering plastics and other materials.

In the automotive market, for example, GE Plastics and the Company's R&D Center have been pioneers in developing high-performance substitutes for metal and glass, allowing GE to outperform the nearest competitor two to one.

GE Plastics made major inroads in other key markets, too, as its materials continued to replace metal in housings for computers and business equipment, in appliances and consumer products, and in building and construction applications.

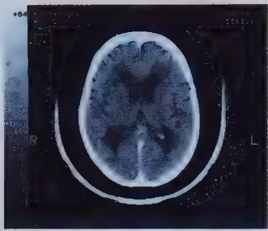
The Company also added to its product lineup during the year by introducing a family of technopolymer structures manufactured by Azdel, Inc., a 1986 joint venture of GE and PPG Industries. This is a further thrust by thermoplastics into the automotive market for large exterior parts currently made from metal.

Azdel was just one of many partnerships entered into by the Plastics business in 1986. It also formed joint ventures with Circuit Wise to produce injection-molded circuit boards, with Huntsman Chemical to manufacture special grades of Noryl® resins, and with Mitsui Petrochemical Industries to build a bisphenol A plant in Japan — further expanding its role as a global supplier. More than 40% of Plastics' sales are outside the United States.

During the year, the Plastics business also expanded its Ultem® resin production facility in Indiana, started up a Geloy® resin plant in New York and neared completion of a $325 million Lexan® polycarbonate plant in Alabama.

Another 1986 highlight came in packaging, where GE Plastics helped Stouffer Foods develop plastic trays that can go directly from the freezer into a microwave or conventional oven.

The Company also is a leader in silicones and superabrasives. GE Silicones, with its broad line of sealants, fluids, elastomers and encapsulants, is developing new markets in coatings



The new CT Max® system from GE Medical Systems places advanced CT capabilities within the reach of smaller hospitals and clinics.

to protect plastics and other substrates. Man-Made® industrial diamonds, which GE invented, are widely used in cutting granite tiles and concrete slabs for the construction industry.

The worldwide need for better health care has helped spark the growth of GE Medical Systems despite continuing cost pressures in the health care field.

With strong sales increases over the last five years, Medical Systems today is among the world leaders in medical diagnostic imaging equipment — providing hospitals and clinics with such advanced technologies as computed tomography, magnetic resonance, nuclear imaging, ultrasound and x-ray systems.

About one-fifth of Medical Systems' sales currently are in the international area — an area where GE increased its presence in 1986. For example, the Company raised its stake in Yokogawa Medical Systems from 51% to 75%, further integrating this Japanese joint venture into GE's worldwide business plans. A new manufacturing center was opened by Samsung Medical Systems, the Company's South Korean joint venture. Sales in Europe improved substantially, especially in the United Kingdom and Italy.

During the year, GE strengthened its leadership position in computed tomography by introducing the CT Max® system. The price and performance of this new CT scanner make GE the first supplier to place advanced CT capabilities within the reach of smaller hospitals and clinics.

GE made other gains in magnetic resonance, its most advanced imaging technology. The number of the Company's MR systems installed worldwide increased to more than 200. In addition, the Signa® MR system has clearly established a pre-eminent position in brain and spine studies and in the development of cardiovascular applications.

The Company also maintained its leading share of the U.S. market for diagnostic x-ray equipment, made significant advances in ultrasound equipment, boosted its worldwide orders for nuclear imaging systems and increased its equipment service prospects by acquiring certain assets from Johnson & Johnson.

The most significant event for the Factory Automation business in 1986 was the formation of a joint venture with FANUC of Japan.

The 50-50 joint venture is designed to improve the worldwide competitiveness of both companies and to help GE expand this young business into European and Asian markets.

Called GE Fanuc Automation Corporation, the new company has three operating subsidiaries: one in the United States, one in Europe, the third in Asia. It offers a full range of high-tech factory automation systems and equipment, including numerical controls and programmable controllers.

In the Drive Systems business, GE improved its standing as the world's leading supplier of customized controls and drives for metal and paper processing, for mining, for utilities and for marine applications. It also signed important technology transfer agreements in India and South Korea.

Services Businesses

Our success in services is tied directly to the creativity and added value we offer — whether it be in financing, in broadcasting or in communications and other services.

A $30 million commercial real estate loan arranged by GECC has helped finance renovations to Philadelphia's historic Packard Building, which houses this decorative bank lobby.

The size, scope and success of our services businesses increased dramatically during 1986.

With the addition of RCA, NBC and Kidder, Peabody, GE has become:

- a major participant in investment banking, complementing our strong position in other financial services;
- the acknowledged leader in TV broadcasting; and
- a leading force in communications and services for government, business and industry.

Together, our three services businesses — GE Financial Services, the National Broadcasting Company, and Communications and Services — provided 29% of our key business earnings in 1986 and give GE a major position in services, the largest and fastest-growing segment of the economy.

For GE Financial Services (GEFS), it was another year of growth and expansion.

GEFS, which now has assets exceeding $50 billion, acquired an 80% stake in Kidder, Peabody during the

Purchasing and selling securities is an important financial service performed by Kidder, Peabody professionals like Jack Taylor and Suzanne Ferris. They and more than 500 other professionals staffing Kidder's trading desks in 1986 handled more than $6.2 billion in transactions — daily.

year. One of Wall Street's oldest investment banking firms, Kidder joins General Electric Credit Corporation (GECC) and Employers Reinsurance Corporation (ERC) to form three strong participants in the nation's $11 trillion financial services market.

GECC, for example, is among the nation's leading finance companies with $25.2 billion in net earning assets. It is a leader in equipment leasing, with a portfolio that includes ships, railcars, airplanes, motor vehicles, computers and other machinery. It is a leader in financing private-label credit cards for clients like IBM, Apple, Xerox and a host of local and regional retailers. It is a leader in leveraged buyouts, helping to finance the acquisition of more than 75 companies over the past three years.

Leveraged buyouts, in fact, represent one area where the synergy between Kidder and GECC can be realized since Kidder is a leader in mergers and acquisitions, participating in more than 90 such transactions involving $23 billion in 1986.

Kidder adds value to the Company's financial portfolio in other ways. It gives GECC access to a valuable new distribution network in addition to helping create and market new securities. And, by introducing its clients to GECC, it can pave the way for creative financings that combine the talents of both groups.

Kidder, however, wasn't the only 1986 addition to financial services.

As part of its ongoing move into owning and operating assets, instead of just financing them, GECC acquired an 81% interest in Polaris Aircraft Leasing Corporation, which operates or leases 108 commercial aircraft, giving GECC a total of more than 250 commercial aircraft under management. GECC also acquired 95% of Genstar Container Corporation, lessor of more than 75,000 seagoing containers; six auto auction companies, expanding its national auto remarketing network to eight; and 35,000 railcars and other assets of North American Car Company, making GECC the largest U.S. railcar leasing company.

GECC also experienced growth in commercial real estate, where its asset portfolio grew 64% to $4.5 billion, and established a financing presence in the United Kingdom and Canada.

However, because of the distressed economic outlook in the energy-related markets it serves, GECC incurred investment write-downs and loss provisions during the year in this area. In addition, reserves were replenished to provide a record amount of protection against future losses.

ERC, the third arm of GEFS, continued to grow. Acquired in 1984, ERC is the second largest property and casualty reinsurer in the United States. In 1986, it recorded a 59% increase in net written premiums and contributed $105 million to GEFS earnings.

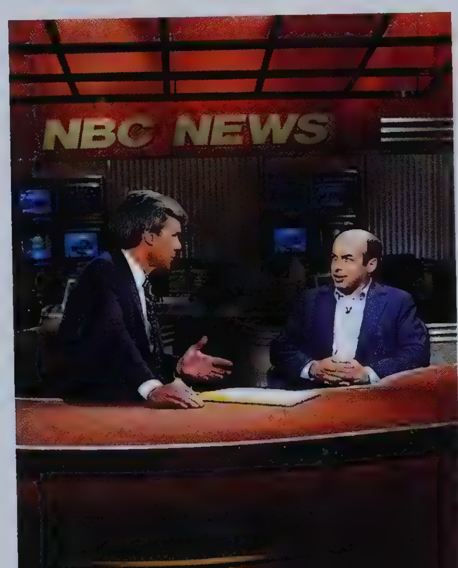
The National Broadcasting Company retained its No. 1 ranking in network television.

At the end of 1986, NBC-TV was first in prime-time ratings, first in late-night programming and first in Saturday morning children's programs. It also improved its daytime performance and the performance of its regularly scheduled news programs.

Throughout the year, NBC shows were big winners. "The Cosby Show" remained the highest-rated series for the second straight year, attracting an average audience of almost 27 million households every week. At the end of the year, NBC had nine of the 20 most-viewed series, including "Family Ties," "Cheers," "The Golden Girls" and "Night Court."

NBC's dominance in creative prime-time programs carried over to

A pair of 1986 hits for NBC: "L.A. Law" won both critical acclaim and a big share of prime-time viewers, further enhancing NBC's winning lineup in network television; and, bottom, the special interview with Soviet dissident Anatoly Scharansky added to NBC's heralded coverage of world events and helped propel "NBC Nightly News with Tom Brokaw" to leadership in early evening news.



The giant helium-filled surveillance balloon at right is operated and maintained for the United States by GE Government Services, which expanded its operations in 1986 by furnishing data from this and other radar-equipped aerostats to a new drug interdiction center in Florida. The satellite antennas on the left are part of Americom's extensive satellite tracking and control facilities.

other parts of its schedule. Since the start of 1986, the "Today" show moved into first place in early morning news and "NBC Nightly News with Tom Brokaw" moved ahead of its competition in the fourth quarter for the lead in early evening news.

"The Tonight Show Starring Johnny Carson" continued to dominate late-night viewing, while "Late Night with David Letterman" achieved its highest ratings ever.

NBC came out a decisive winner in sports, too. Its telecast of the 1986 World Series drew a total audience of 68 million viewers per game, with a baseball broadcasting record of an estimated 80 million tuned in to the seventh game between the New York Mets and Boston Red Sox. NBC Sports also signed an agreement to televise the 1988 Summer Olympics from South Korea.

Being "best" as well as "first" is another NBC goal, one that was clearly achieved in 1986. The network's programs and personalities received 391 industry awards, including 34 Emmy Awards — more than the other networks combined.

NBC, which covers the entire country through its five owned and operated TV stations and more than 200 affiliated TV stations, also increased its lead in regular stereo programming, delivering 19 prime-time shows in stereo sound. In addition, the network is the industry leader in satellite distribution and in network newsgathering through the RCA Satcom Ku-band system and Skycom.

The three NBC Radio networks, which serve more than 600 affiliated stations, also maintained their competitive positions during the year.

In Communications and Services, the Company has combined several GE and RCA units into a nearly $2 billion a year business that provides communications equipment and services, information services, and installation and maintenance for government, business and industry.

For example, RCA American Communications (Americom) pioneered commercial satellite services in the United States and currently operates seven communications satellites, more than any other carrier. Its Satcom K-1 and K-2 are the two most powerful domestic communications satellites in orbit. A third and more powerful one, Satcom K-3, was ordered from RCA by an RCA Communications/HBO joint venture in 1986 for launch in 1989.

The largest satellite carrier of TV and national network radio programming, Americom also has more than 60 earth station antennas, stretching from Greenland to Hawaii, dedicated to its government services network.

A second unit, GE Computer Service, offers independent maintenance and rental/leasing services for many brands of minicomputers and microcomputers, electronic test instruments and data communications equipment. It provides single-source maintenance to a growing list of large national accounts.

A third unit, GE Information Services Company (GEISCO), helps businesses process and exchange information via GE's worldwide teleprocessing network, one of the largest commercially available networks of its kind in the world.

Emphasizing network-based services with added value, such as electronic data interchange, GEISCO expanded its activities in the manufacturing, retail, banking, health care and international trade areas in 1986. A new contract with four Scandinavian shipping companies, for example, allows them to electronically manage 14 shipping lines and 150,000 containers from anywhere around the globe, at any time of night or day.

A fourth unit, GE Consulting Services, helps customers design, develop and implement information systems.

Another unit, RCA Global Communications (Globcom), is the leading international record (non-voice) carrier. Globcom provides telex, telegram, leased communications and other services over an extensive network of international satellites and undersea cable facilities.

Mobile Communications, meanwhile, provides businesses and local, state and federal agencies with mobile and hand-carried two-way radios, cellular telephones, pagers, secure voice encryption systems and two-way radio communications networks.

In addition, Government Services provides support for a wide range of programs run by federal, state and foreign governments. For example, it operates and maintains tracking ranges and surveillance systems for the U.S. Navy and Air Force. It added a new dimension in 1986 when data from its tethered balloon radar systems were used by the U.S. Customs Service to locate drug smugglers. During the year, this business also expanded systems engineering activities in Japan and Turkey.

Core Manufacturing Businesses

Our six core manufacturing businesses continued their drive to be the low-cost, high-quality global competitors.

Among our core businesses, Major Appliance had an exceptionally strong performance as it increased its presence — and image — with consumers.

Our other core businesses — which also face intensifying world competition — responded strongly to the realities of their markets. For example:

- Lighting intensified product innovation, productivity and marketing.
- Power Systems consolidated operations.
- Construction Equipment further automated its plants.
- Transportation Systems emphasized new technologies for locomotives and other products.
- Motor focused on improved customer relations.

These six core businesses, as a group, have increased earnings 8% annually since 1981 as they have continued their drive to be the low-cost, high-quality global competitors.

By focusing on consumer needs, the Major Appliance business has maintained its No.1 position among major appliance manufacturers in the United States — despite continued consolidation within the industry.

GE's strategy to be a leader in meeting consumer demands for cost and quality competitiveness is paying off. Investment — some $1 billion over a five-year stretch — is giving the Company advantages in productivity, in cost efficiencies, in product design and in features that consumers want.

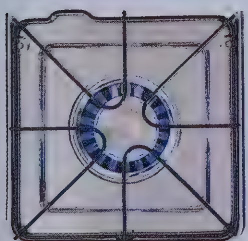
The Space Center 27 electronic refrigerator, for example, was introduced in 1986 in response to consumer preferences for ample and convenient storage space. It's the biggest refrigerator ever offered by GE. It also features a refreshment center, automatic icemaker and dispenser, larger doors for more accessible storage and an electronic control center that tells users if the appliance is working properly.

An industry pacesetter in appliance innovation, GE also unveiled a new line of built-in appliances called Monogram in 1986. The line is aimed at upscale consumers who want to build dream kitchens. In addition, the Company introduced a full line of Hotpoint® gas ranges to accompany the new GE gas range line that, in its very first year, captured a significant share of the market.

Consumer service goes hand-in-hand with product innovation to make GE the market leader. The Company's quality of service, as measured by consumers, reached a record high of 92% during the year. The GE Answer Center® service, available toll-free (800-626-2000) all day and every day, and the self-help Quick-Fix® system remained popular with consumers nationwide.

Major Appliance is further strengthening its ability to serve consumers by combining its appliance service and parts operation with RCA's consumer service units, which provide RCA television and telephone systems and services to the U.S. hotel/motel industry. The new organization forms one of the largest and most widespread consumer service organizations in the nation.

The Major Appliance business continued to meet consumer needs by introducing the Space Center 27 electronic refrigerator, with the refreshment center and other convenient features, and by adding to its new lineup of gas ranges.



When shopping for lighting products, consumers can find a full line of GE quality light bulbs, including the recently introduced Reader Light® line now available in supermarkets, mass merchandisers, hardware stores and other retail outlets throughout the country.

The Lighting business improved its ability to meet intensifying world competition with a realigned organization structured to generate cost and productivity gains and to enhance product quality and customer service.

Recognizing the need to counteract the flow of imports — which has nearly doubled in the past four years — Lighting since 1982 has invested more than $570 million in plant and equipment. This financial commitment to improve productivity is reinforced with programs that involve increasing numbers of employees on the factory floor in decision-making processes.

Lighting is also focusing its technological resources on the development and introduction of innovative, high-value lamps, such as the compact, energy-efficient fluorescent and halogen products recently added to the GE line for the commercial and industrial market, and the Reader Light® line introduced in the consumer market. And, while GE is divesting its battery business, Lighting did retain — and will continue to develop — the marketing of GE-brand consumer rechargeable batteries.

Finally, Lighting's new marketing and sales organization is positioned to compete aggressively in the industry's diversified markets and channels, supported by strong customer-oriented inventory and distribution programs.

Across the board in Power Systems, GE is facing the realities of a shrinking marketplace and stiffer competition for pieces of a smaller pie.

GE's Turbine business, for example, is the world's leading supplier of power generation systems, with nearly 12,000 steam and gas turbines operating worldwide. Yet the total market for new systems has dwindled to 40% of what it was five years ago. And there are 11 steam and 15 gas turbine manufacturers fighting intensely for every order today.

To improve cost-competitiveness in such an ongoing price-slashing environment, the Turbine business further streamlined operations in 1986.

Turbine also continued to work with its foreign associates, with whom it forms manufacturing or marketing alliances to participate in offshore markets. It now has 22 major associates in 15 countries.

In addition, Turbine continued to emphasize plant upgrades and technological innovation as ways to serve customer needs and maintain a strong position for the expected market upswing in the 1990s.

Also consolidated organizationally are the Power Delivery, Nuclear Energy, and Construction and Engineering Services operations, all of which trimmed back their operations in 1986 because of market conditions.

Power Delivery, for example, announced it will close the large transformer product line, whose market has deteriorated more than 75% since the early 1970s.

In Nuclear Energy, GE continued to focus resources on supplying fuel and services for boiling water reactors (BWRs). The Company completed a $26 million addition to its fuel manufacturing facility in North Carolina. Customer services were expanded, as were the number of state-of-the-art products for the control, measurement and surveillance of nuclear power plants.

In addition, four new BWR power stations loaded fuel during 1986 and, when operational, will bring to 72 the number of GE-type BWRs in service worldwide.

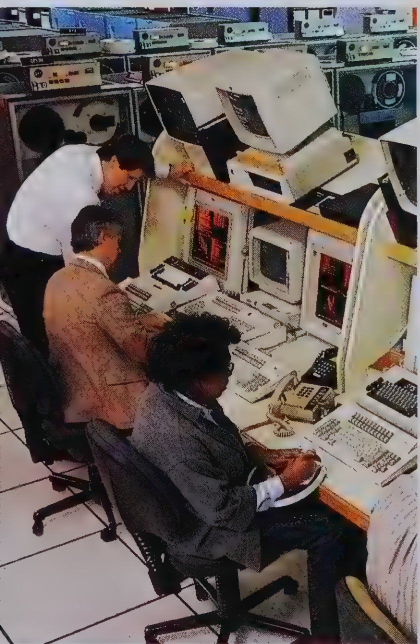
GE concentrated its Construction and Engineering Services on the most promising international and domestic targets. One is repair services, where GE showed its leadership by performing, in Algeria, the first on-site rebucketing of steam turbine rotors. Another is the design, construction, operation and maintenance of refuse-to-energy power plants, where GE has more than $310 million in ongoing projects throughout the United States.

The Construction Equipment business is in the middle of a five-year, $300 million investment plan designed to keep GE a leading supplier of products that distribute, protect and control the flow of electricity.

The consolidation and automation of its panelboard production in a North Carolina plant, for example, was completed in 1986, significantly improving GE's cost- and product-competitiveness in this product line. Other recent automation projects have resulted in significantly improved cost-competitiveness for circuit breakers and load centers for the residential construction market.

Beyond improved productivity and quality, the Construction Equipment investment program is resulting in innovative product advances. Five new products were introduced in 1986, including the revolutionary Epic MicroVersaTrip® system. It's an electronic switchgear package that replaces numerous relays and meters,

Electric
Miser
Energy Efficient Light
Soft-White
Soft-White Reader Light
STOP & SHOP
Kellogg's
RAISIN



GE's Construction Equipment business supplied switchgear, panelboards and other electrical equipment in 1986 for the computer center above that is the heart of American Airlines' SABRE reservation system. In addition, the Company's Communications and Services business is charged with maintaining the majority of the equipment utilized by the SABRE system.

providing the first prepackaged way to monitor and control every breaker in a low-voltage switchgear installation.

In addition, Construction Equipment opened a national customer service center in Connecticut during 1986 to provide personalized service for distributors and other sales outlets.

Transportation Systems, despite the downturn in locomotive orders, turned up a winner in several other markets.

A leading supplier of transit systems, GE outbid both foreign and domestic competition on major 1986 contracts to provide propulsion equipment for more than 900 New York City subway cars. To date, GE has received more than $100 million in orders as a result of New York City's extensive subway rebuilding program.

Transportation Systems also built on its leadership in electric drive systems for large off-the-road mining vehicles — an especially important international market. During the year, it completed its largest single order ever: 107 motorized wheel systems for use in the China-Pingshuo mine. It won other major orders for systems in Australia, Brazil and Colombia.

Although locomotive production was down, 131 locomotives were shipped to China, completing a 200-locomotive order. To date, a total of 421 locomotives have been manufactured and shipped to China from the Erie, Pa., plant. In addition, the Company delivered a total of 72 of its new Dash 8 locomotives to Conrail and Norfolk Southern, further establishing GE leadership in computer-controlled locomotives.

GE's Motor business, the world's leading supplier of electric motors, increased its focus on helping customers win against foreign competition — as a way to shape its world instead of letting the world shape it.

Key to that strategy in 1986 was the implementation of a comprehensive customer service operation that combines telesales, technical service, transportation, inventory control and product service in a single organization. The operation is aimed at substantially improving customer satisfaction through faster response on quotations, better efficiency on orders and quicker resolution of problems.

Another goal is more long-term partnerships with major manufacturers in the appliance, automotive, computer and other key markets.

Although it announced plans to close down its Phoenix® line of large industrial motors due to depressed markets, the Motor business did solidify its position as a leader in motor technology during the year by introducing a new line of electronically commutated motors for central air conditioning. These variable-speed motors establish new standards in air conditioning comfort and efficiency and, together with such other recent introductions as precision motors for rigid disk drives and new water-pumping motors, represent significant growth opportunities for the Motor business.

Support Operations

Our ability to compete successfully in both domestic and foreign markets is enhanced by the actions and resources of our five support operations.

Discovering a comfortable corner in a showroom filled with the latest in GE and RCA consumer electronics, a youngster tunes in to the NBC show "Alf."

GE's support operations play important roles in its success.

- Consumer Electronics maintains a strong brand identity for both GE and RCA in the marketplace.
- International strengthens the Company's presence around the globe.
- Corporate Trading supports GE's purchasing and sales activities.
- Ladd Petroleum provides a backup supply of petrochemical feedstock for GE's Plastics business.
- Semiconductor supplies Company businesses with state-of-the-art microelectronics technology.

The Consumer Electronics business, by marketing both RCA and GE brands, provides the Company with a winning combination in the very visible video and audio electronics marketplace.

The RCA brand is the U.S. market leader in both color televisions and video cassette recorders. The GE brand also has a strong presence in both product areas as well as in the audio market.

To further improve competitiveness and market leadership, Consumer Electronics began combining RCA

The George R. Pearkes and other Canadian Coast Guard icebreakers are being propelled by a new cycloconverter marine propulsion system designed and built by Canadian General Electric and available for sale worldwide.

and GE manufacturing, marketing, sales and engineering resources in 1986.

It also increased its image among consumers. For the first time ever, the RCA brand was displayed in Sears stores — a potentially significant expansion for color TV sales. In addition, the RCA brand became a sales leader in the important new category of camcorders and was the first in the United States to market a VCR capable of showing two separate programs simultaneously on the same screen.

International supports GE's aim to be a global competitor by promoting business development in key foreign markets and by establishing strong relationships with international customers and partners.

A country management organization of 25 national executives is in place around the globe to integrate the activities of different GE businesses operating within each country and to represent GE with its various local constituencies. It also has helped the Company identify and act quickly on new business opportunities in such markets as China, Korea, Taiwan, India, Saudi Arabia and Turkey.

Canadian General Electric provides additional leverage in the international marketplace. One of the largest industrial companies in Canada, it is a major exporter of heavy electrical apparatus and machinery to third-world countries.

Corporate Trading Operations combines the resources of the General Electric Trading Company (GETC), General Electric Supply Company (GESCO) and Corporate Sourcing to help GE businesses win in today's competitive marketplace.

Corporate Sourcing, for example, improved GE cost-competitiveness through development of a computer coding system that identifies 25,000 types of materials, goods and services Companywide. This in turn enables GE to combine purchases from different businesses to gain volume discounts.

GESCO, a major distributor of GE and non-GE products, expanded its product line, renewal parts operation and national accounts program.

GETC supported more than \$350 million in GE export orders in 1986 by undertaking and fulfilling the countertrade, offset and barter obligations that are a condition of sales in many world markets.

Ladd Petroleum is one of the leading U.S. independent (non-major) oil and gas producers.

Its reserve growth and lower-than-average finding and developing costs were counteracted in 1986 by falling oil prices. In view of the uncertain outlook for future oil and gas prices, GE switched from the "full cost" method of accounting for oil and gas properties to the more conservative "successful efforts" method.

During the year, Ladd expanded its marketing program for natural gas, which now accounts for three-fourths of its production and reserves. Included were significant spot-market sales and several contracts with GE businesses.

The Semiconductor business was realigned in 1986 into two distinct areas: one geared toward serving the commercial market; the other focused on GE and RCA internal needs.

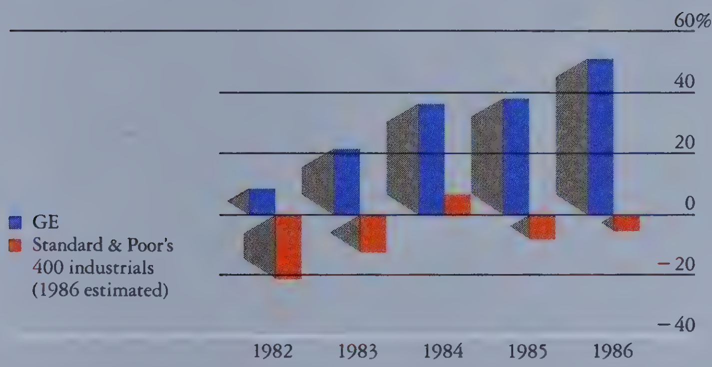
The commercial business manufactures and sells application-specific integrated circuits, power transistors, microprocessors and peripherals, and other devices.

The internal business supports the Company's requirements for advanced semiconductor technology in its electronics-intensive systems and products.

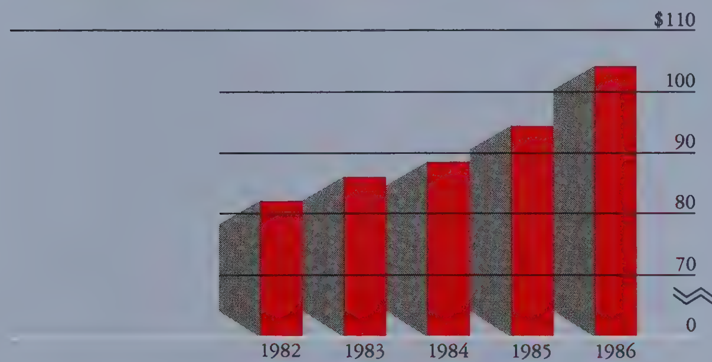
Financial Section

Contents

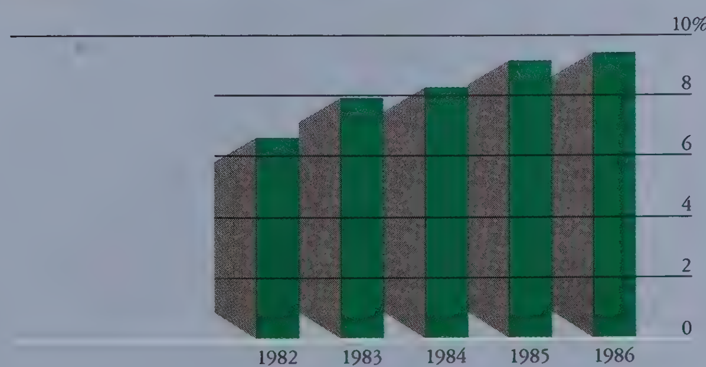
GE/S&P 400 annual earnings per share increase/decrease compared to 1981



Employee productivity (Constant dollar sales per employee; in thousands)



Research and development expense as a percentage of sales



Management's Discussion of Earnings

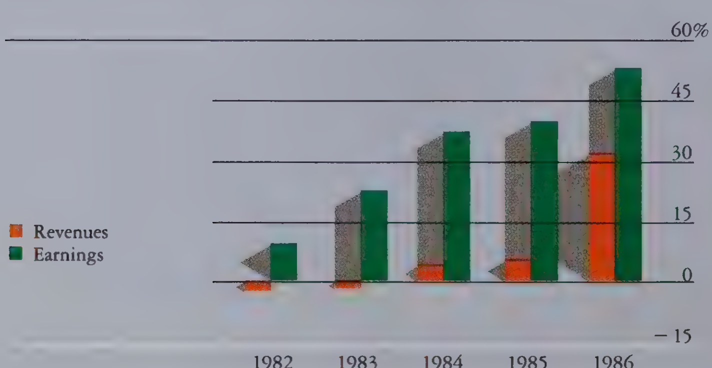
The Statement of Earnings summarizes GE's operating performance over the last three years in a format which reflects the growing importance to the Company's businesses of transactions other than those primarily involving sales of tangible products. Operating results for 1986 include RCA for the last seven months of the year. This means that GE's 1986 net earnings included $233 million from RCA before acquisition costs and $66 million, or 14 cents per share, after acquisition costs. There was no counterpart to these amounts in 1985. Comments below on certain items in the Statement of Earnings take the effect of RCA into account where appropriate. Many of the Company's businesses had good improvements in revenues and operating profit in 1986, although one industry segment — power systems — had significant decreases. The Summary of Industry Segments (pages 34-36) presents information and analysis about the principal businesses.

- **Total revenues** were up 26% in 1986 from 1985 after a 1% increase from 1984. Of the $4.2 billion increase in sales of goods in 1986, RCA operations accounted for about $3.2 billion. Of the $2.7 billion increase in sales of services, RCA accounted for $2.5 billion, $1.8 billion representing seven months' sales by the National Broadcasting Company. In other businesses that had sales increases, volume was the principal contributing factor as selling prices were generally softer than in prior years.

Net earnings of General Electric Financial Services, Inc. (GEFS) were up 22% in 1986, including amounts equal to 4 cents per share from Kidder, Peabody Group Inc., after a 26% increase the year before. GEFS results are discussed in more detail in the Summary of Industry Segments.

Other sources of income were up $457 million in 1986 after declining 15% the year before. RCA accounted for about half of the 1986 increase, much of it from licensing and technical agreements. Other current-year increases came mainly from $140 million of higher gains from continuing sales of GE's long-held passive investment in Toshiba Corporation (gains from such sales had been about level in 1984 and 1985), and from increased income from short-term investments (such income had been lower in 1985 than 1984).

Revenues and earnings percentage increase/decrease from 1981



- **Total costs and expenses** were up 28% in 1986 following a 1% increase in 1985.

Cost of goods sold increased at about the same rate as the related sales increase in both 1986 and 1985. The increase (71%) in cost of services sold in 1986 from 1985 was somewhat higher than the related sales increase (64%) but in line with the RCA cost structure. Selling, general and administrative expense was up $1.4 billion in 1986, principally reflecting the increase in the size of the Company due to the acquisition of RCA as well as growth in certain other businesses.

Costs included expenditures for research and development of $3.3 billion in 1986, of which $1.3 billion was from Company funds. These expenditures, which serve future growth, were 14% more than 1985's level before including RCA operations and up 31% on a total basis. The bottom chart on page 25 depicts the Company's steady and significant increase in R&D as a percentage of sales over the past five years while GE still maintained earnings growth.

Costs in 1986 also included a newly required change in pension accounting that favorably affected 1986 net earnings by about 18 cents per share. Pension actuarial assumption changes also benefited 1986 net earnings by about 17 cents per share.

Unusual items consist of a number of events, most of which are related to major changes made or being made to position the Company for future growth by shifting the business mix to one compatible with long-term strategic objectives and to reorganize and restructure ongoing operations. Unusual gains from sales of assets during the last three years aggregated $1.185 billion, mostly from dispositions of Utah International, the housewares business, and virtually all of GE's former broadcasting and cablevision operations. Provisions for business restructuring activities — principally devoted to rationalizing, reorganizing and improving selected production activities; reducing foreign and domestic risk exposures; and phasing out or otherwise concluding other business activities — amounted to $1.394 billion in 1984-86. The net earnings impact of all unusual items had been negligible in 1984 and 1985, but in 1986 the aggregate effect for the year, after provision for income taxes, was to reduce net earnings by about 28 cents per share. Note 7 to the financial statements shows annual details of unusual items, and note 24 shows the impact on operating profit by industry segment.

- **Interest and other financial charges** increased $264 million in 1986 from 1985, compared with an increase of

Statement of Earnings

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)	1986	1985	1984
Revenues			
Sales of goods	$28,139	$23,963	$23,646
Sales of services	7,072	4,323	4,304
Net earnings of General Electric Financial Services, Inc. (note 14)	504	413	329
Other income (note 5)	1,010	553	652
Total revenues	36,725	29,252	28,931
Costs and expenses			
Cost of goods sold	20,757	17,672	17,332
Cost of services sold	5,430	3,171	3,069
Selling, general and administrative expense	5,963	4,594	4,770
Interest and other financial charges (note 6)	625	361	335
Unusual items (note 7)			
(Gains) from sales of assets	(50)	(518)	(617)
Provisions for business restructuring activities	311	447	636
Special payment to non-exempt and hourly employees	—	93	—
Revaluation of goodwill and intangibles	—	—	126
Total costs and expenses	33,036	25,820	25,651
Earnings before income taxes and minority interest	3,689	3,432	3,280
Provision for income taxes (note 8)	(1,200)	(1,143)	(1,030)
Minority interest in earnings of consolidated affiliates	3	(12)	(11)
Net earnings	$ 2,492	$ 2,277	$ 2,239
Net earnings per share (in dollars)	$ 5.46	$ 5.00	$ 4.94
Dividends declared per share (in dollars)	$ 2.37	$ 2.23	$ 2.05

The notes to financial statements on pages 38-53 are an integral part of this statement. Financial information for 1986 includes RCA results from June 1, 1986. Information for prior years has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. Prior-year presentations have been reclassified to conform with the 1986 presentation. (See note 1 to the financial statements.)

$26 million in 1985 from 1984. The 1986 increase was due to a higher average level of borrowings to acquire RCA, partially offset by lower average interest rates.

- **The provision for income taxes** was equal to 32.5% of before-tax earnings in 1986 (33.3% in 1985 and 31.4% in 1984). In 1986, changes were made in United States tax laws that will affect the Company's federal income tax position. While the impact of the new law is very complex, management expects that the overall effect on GE's financial reporting during the next one-to-three years will be generally favorable mainly because of lower rates. GE's net earnings will continue to be affected favorably by amortization of investment tax credits that were earned in prior years but deferred over the lives of the assets involved. With respect to liquidity, it is presently expected that lower rates will approximately offset higher tax liability due to repeal of the investment tax credit and slower expensing of certain costs.

Management's Discussion of Financial Position

GE's balance sheet — the Statement of Financial Position — grew substantially in 1986. At year end, total assets were $34.6 billion, up $8.4 billion from the end of 1985. About $6.4 billion of the increase came from the acquisition of RCA, whose assets at acquisition were included at fair value.

- **Cash and marketable securities** classified as current at December 31, 1986, amounted to $1.9 billion, down $638 million from the end of 1985. In addition to cash and current marketable securities, funds held for business development ($397 million at the end of 1986, down from $726 million at year-end 1985) consist of investments equally as liquid as current marketable securities.

- **Current receivables** are mainly amounts due from customers ($5.7 billion at December 31, 1986; $4.6 billion at December 31, 1985). The increase in total receivables and customer receivables was more than accounted for by the addition of RCA. Lower customer receivables (before inclusion of RCA and despite higher sales activity) was the result of vigorous receivables management throughout 1986. At year end, customer receivables as measured by number of days billing outstanding were 38 days before RCA, compared with 42 days at December 31, 1985, the previous low for many years. Other customer receivables measurements, such as delinquency ratios and amounts past due, also improved. The overall condition of customer receivables remained excellent at the end of the year. Current receivables other than those owed by customers include amounts due from several types of transactions, such as advances to suppliers in connection with major contracts.

- **Inventories** of $5.2 billion at December 31, 1986, were $1.2 billion more than at the end of 1985. More than half of the increase was from adding RCA, and most of the remainder was because of the high level of actual and planned aircraft engine business activity. Close attention to inventory control was emphasized throughout GE in 1986, and at year end the number of days output on hand (excluding RCA) was 151, or 12 days less than at December 31, 1985.

  There was a net favorable last-in first-out (LIFO) inventory adjustment to cost of sales of $104 million in 1986 compared with similar favorable adjustments of $171 million in 1985 and $125 million in 1984. These amounts include reductions in LIFO reserves ($51 million in 1986, $128 million in 1985 and $125 million in 1984) because of reduced inventory levels, mainly in power systems businesses. Also, in 1984, the housewares business disposition included LIFO reserves of $32 million.

- **Other investments** increased by $764 million during 1986 to $3.9 billion at year end. Most of the increase was higher investment in General Electric Financial Services, Inc., mainly from growth in its retained earnings.

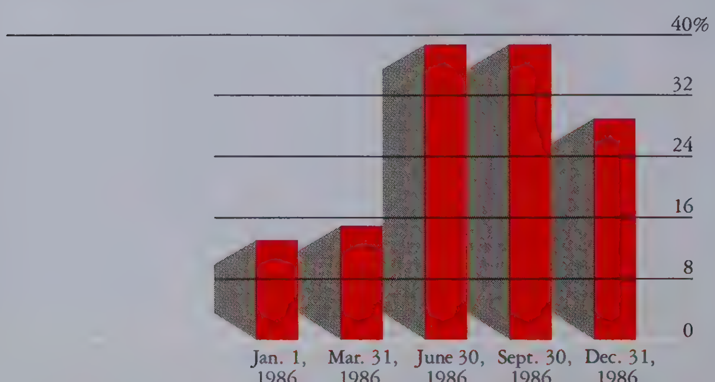
- **Intangible assets** were $3.6 billion at December 31, 1986, up from $222 million a year earlier. Most of the current balance results from the RCA acquisition. Using the "purchase" accounting method, the amount paid by GE ($6.4 billion) for RCA is assigned to the various assets and liabilities purchased based on independent expert appraisal of fair values. (This appraisal work is complex and will not be completed until 1987. Accordingly, estimates and assumptions about values have been used to record the transaction thus far.) Tangible assets such as plant and equipment and inventories have been recorded based on estimates of their fair values, and the resulting effect on earnings is reflected in depreciation or as goods are sold from inventory. Some acquired assets are "intangible," e.g., certain licenses granted to others for use of a company's technology. Estimated fair values assigned to specific intangible assets or classes of assets will be amortized to expense over appropriate periods of time, such as the length of license lives. The remaining intangible asset is the largest — "goodwill," which amounted to an estimated $2.8 billion at the end of 1986. The estimated value of this intangible asset, most of which applies to the National Broadcasting Company, is being amortized to expense evenly over 40 years.

- **Other assets** of $2.6 billion at year-end 1986 (up from $1.6 billion at the end of 1985) included $461 million of National Broadcasting Company television program costs.

- **Total borrowings** at December 31, 1986, amounted to $6.2 billion compared with $2.1 billion at December 31, 1985. Of the year-end 1986 borrowings, $1.8 billion was short-term, i.e., due in less than one year, and $4.4 billion was due later.

  GE's total debt equaled 28.7% of total capital at the end of 1986, up from the very low 12.9% a year earlier. As depicted on the chart, GE's debt-to-capital ratio peaked at 38.5% in June immediately after the RCA acquisition, stayed at the same level for one quarter, and has since been

1986 borrowings as a percentage of total capital invested



Statement of Financial Position

General Electric Company and consolidated affiliates

At December 31 (In millions)	1986	1985
Assets		
Cash (note 9)	$ 1,698	$ 1,606
Marketable securities (note 9)	221	951
Current receivables (note 10)	7,208	6,040
Inventories (note 11)	5,161	3,949
Current assets	14,288	12,546
Property, plant and equipment — net (note 12)	9,841	7,900
Funds held for business development (note 13)	397	726
Other investments (note 14)	3,914	3,150
Intangible assets (note 15)	3,581	222
Other assets (note 16)	2,570	1,618
Total assets	$34,591	$26,162
Liabilities and equity		
Short-term borrowings (note 17)	$ 1,813	$ 1,297
Accounts payable (note 18)	2,594	2,204
Progress collections and price adjustments accrued	2,273	2,257
Dividends payable	287	264
Taxes accrued	1,153	751
Other costs and expenses accrued (note 19)	3,341	2,146
Current liabilities	11,461	8,919
Long-term borrowings (note 20)	4,351	753
Other liabilities	3,481	2,693
Total liabilities	19,293	12,365
Minority interest in equity of consolidated affiliates	189	126
Common stock (463,282,000 shares issued)	579	579
Other capital	733	641
Retained earnings	14,172	12,761
Less common stock held in treasury	(375)	(310)
Total share owners' equity (notes 21 and 22)	15,109	13,671
Total liabilities and equity	$34,591	$26,162
Commitments and contingent liabilities (note 23)		

The notes to financial statements on pages 38-53 are an integral part of this statement. Financial information for 1986 includes RCA results from June 1, 1986. Information for prior years has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. The 1985 presentation has been reclassified to conform with the 1986 presentation. (See note 1 to the financial statements.)

reduced sharply. The major debt-rating agencies continue to evaluate GE's debt as being of the highest standing, "triple A."

The Statement of Changes in Financial Position and related comments on pages 30 and 31 present additional information about changes in the balance sheet in 1986 as well as comparative data for prior years.

In summary, GE's balance sheet changed substantially during 1986 and the Company's financial condition remains strong. GE's financial resources and liquidity, including highly liquid cash and marketables of all types of $2.3 billion, total assets of $34.6 billion, share owners' equity of $15.1 billion and the highest possible credit ratings supplemented by bank credit lines, are believed to be entirely adequate to:

- Provide for seasonal working capital needs during 1987.
- Pay for new plant and equipment expenditures that are expected to be about $1.7 billion during 1987. Estimated future plant expenditures already approved aggregated $1.2 billion at the end of 1986, of which approximately 68% is planned to be spent in 1987.
- Enable GE to continue a high level of programmed expenses as well as to support other internal and external business growth activities and opportunities.

Management's Discussion of Changes in Financial Position

The Statement of Changes in Financial Position summarizes the main sources of GE's funds and the uses made of those funds. The Statement's format has been modified to portray certain significant aspects of financing the purchase of RCA. A separate section of the Statement summarizes transactions at the closing date. An additional section of the statement summarizes major financial transactions related to RCA since acquisition. Changes in RCA assets and liabilities since acquisition are included in other portions of the Statement.

• **Funds provided from operations** as depicted in the top section of the Statement were about the same in 1986 as in 1985. These funds from operations are after leaving $506 million of net earnings of the nonconsolidated financial services affiliates in those businesses to help them finance their own continued growth.

• **Working capital** can be either a provider or user of funds. Proper management of working capital assets so as to minimize unnecessary lock-up of funds while at the same time ensuring adequate resources for growth of GE's businesses is a major focus of management. Comments (on page 28) about receivables and inventory measurements explain current results of GE's working capital management programs.

• **Purchase of RCA** was the major funds transaction in 1986. As shown in the Statement, on the closing date GE paid $6.4 billion for the ownership of RCA, thus acquiring all of its assets and liabilities. Those assets and liabilities included funds (cash and marketable securities) immediately available for use by the combined entity. They also included other current assets such as receivables and inventories; long-term assets such as plant and equipment; and liabilities such as short-term borrowings, payables and long-term debt. To pay for the net assets acquired at closing, GE used a combination of new long-term borrowings ($3.4 billion), short-term borrowings ($2.0 billion) over and above the seasonal short-term needs for GE's other businesses, and $704 million of internal funds then on hand.

• **RCA financing transactions since acquisition date** included proceeds from sales of RCA's interests in records, life insurance and carpets — businesses which do not fit GE's long-term strategies. In addition, notes receivable that RCA had received as partial payment for a 1984 business disposition were sold in December 1986. These four transactions were all for cash and aggregated more than $1.3 billion. Also, certain long-term borrowings which RCA had at the acquisition date were subsequently repaid. Total reductions in consolidated long-term debt applicable to RCA amounted to $490 million in the second half of 1986.

• **Investment transactions** other than those related to acquisition of RCA involve inflows and outflows of funds for other long-term objectives. Additions to property, plant and equipment have been GE's principal long-term use of funds for many years, ranging between $2.0 billion and $2.4 billion in each of the last three years. (Plant expenditures shown in the Statement include RCA expenditures since acquisition.)

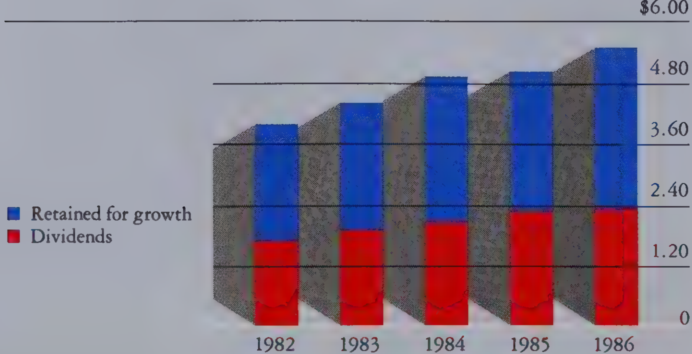
Dispositions of property, plant and equipment were a considerable source of funds in 1984, principally because they included the effect of selling the mineral properties of Utah International.

• **Financial transactions** other than specific borrowings related to acquisition of RCA have not been a significant GE need in recent years. It is possible that, depending on financial market conditions in 1987, GE might add to long-term borrowings to replace some of the current short-term debt. With its excellent credit rating, GE is in a position to take maximum advantage of financial market opportunities.

• **Dividends paid** totaled $1.058 billion in 1986. Dividends paid during 1986 totaled $2.32 per share. The increase of 9% in the fourth-quarter dividend marked the 11th consecutive year of dividend growth while at the same time retaining sufficient earnings to support enhanced productive capability and providing adequate financial resources for internal and external growth opportunities.

In summary, during 1986 the Company continued to generate significant amounts of funds from operations which, when combined with the financial flexibility that comes from top credit ratings, enabled GE to finance a major acquisition on favorable economic terms, continue other long-term investments for growth and again increase dividends to share owners.

Earnings retained for growth and used for dividends (Dollars per share)



Statement of Changes in Financial Position
Funds provided (used)

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)	1986	1985	1984
Funds provided from operations			
Net earnings	$ 2,492	$ 2,277	$ 2,239
Adjustments for items not representing current fund usage:			
Depreciation, depletion and amortization	1,460	1,249	1,103
Earnings retained by nonconsolidated financial services affiliates	(506)	(411)	(330)
Income tax timing differences	(158)	128	(206)
All other operating items	77	12	11
Funds provided from operations	3,365	3,255	2,817
Funds provided from (used for) changes in working capital			
Decrease (increase) in inventories	(317)	(279)	(512)
Decrease (increase) in current receivables	629	(531)	(260)
Increase (decrease) in current liabilities (except short-term borrowings)	(400)	62	(112)
Net funds provided from (used for) working capital	(88)	(748)	(884)
Total funds provided from operations and working capital	3,277	2,507	1,933
Funds used at acquisition date to purchase RCA			
Purchase price	(6,406)	—	—
Less RCA cash and marketable securities	296	—	—
New borrowings to acquire RCA — long-term	3,366	—	—
— short-term	2,040	—	—
Net reduction of funds at acquisition date	(704)	—	—
RCA financing transactions since acquisition date			
Proceeds from sales of assets	1,367	—	—
Repayments and other reductions in RCA long-term borrowings	(490)	—	—
Net addition to funds since acquisition date	877	—	—
Funds provided from (used in) investment and other long-term transactions			
Additions to property, plant and equipment	(2,042)	(1,953)	(2,419)
Dispositions of property, plant and equipment	275	142	1,346
Use of (additions to) funds held for business development	329	88	(359)
Additional investments in nonconsolidated financial services affiliates	(50)	—	—
All other transactions — net	152	153	436
Net investment transactions	(1,336)	(1,570)	(996)
Funds provided from (used in) financial transactions			
Disposition of GE shares from treasury	283	286	254
Purchase of GE shares for treasury	(348)	(283)	(284)
New issues and other increases in long-term borrowings	21	171	80
Repayments and other decreases in long-term borrowings	(67)	(171)	(242)
Net financial transactions	(111)	3	(192)
Funds used for dividends paid	(1,058)	(1,006)	(908)
Net increase (decrease) in funds	$ 945	$ (66)	$ (163)
Analysis of net change in funds			
Increase (decrease) in cash and marketable securities	$ (638)	$ 184	$ (132)
Decrease (increase) in short-term borrowings (excluding acquisition of RCA)	1,583	(250)	(31)
Increase (decrease) in funds	$ 945	$ (66)	$ (163)

The notes to financial statements on pages 38-53 are an integral part of this statement. Financial information for 1986 includes RCA results from June 1, 1986. Information for prior years has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. Prior-year presentations have been reclassified and restated to conform with the 1986 presentation. (See note 1 to the financial statements.)

Management's Discussion of Selected Financial Data

Selected Financial Data provides both a handy reference for some data frequently requested about GE and a record that may be useful in reviewing trends. Of course, as with information elsewhere in this Report, 1986 data generally include RCA, so care should be taken in understanding differences generated by the acquisition. The following comments provide additional perspective on some of these selected data.

- **GE's net earnings have increased** at an average annual rate of 9% over the last five years. The minor effect of restating for the change in accounting for oil and gas properties discussed in note 1 to the financial statements has virtually no impact on the growth rate. Also, the inclusion of RCA for only seven months of 1986 had no appreciable impact on the long-term growth rate to date.

GE's earnings growth has come during years which have seen major shifts in domestic and international economic arenas and a major internal redirection for the Company itself as reviewed in the Letter to Share Owners beginning on page 2 of this Report. Despite these internal and external factors, GE's earnings growth has significantly outpaced the earnings changes for the aggregate of the 400 companies making up Standard & Poor's Index of U.S. industrial firms. GE's net earnings in 1986 were 51% more than they were in 1981, while earnings of the S&P 400 were about 5% lower than the aggregate for 1981. The top chart on page 25 shows GE's consistent earnings improvement during the last five years while the S&P 400 has been lower than the base period in four of the five years.

Inflation has not been a significant factor in the Company's earnings growth in recent years because of the relatively slow rate of price increases in the United States economy.

- **Property, plant and equipment additions** other than additions by acquisition from RCA were $2.0 billion in 1986, making the total for the last five years $9.6 billion. Of that total, 30% was to increase capacity; 26% was to increase productivity; 14% was to support new business start-ups; 12% was to replace and renew older equipment; and 18% was for projects involving such other activities as improving R&D facilities and safety and environmental protection.

- **GE's worldwide employment** at the end of 1986 of 359,000 employees included 79,000 employees from RCA. The steady increase in employee productivity each year from 1982 through 1986 is portrayed in the second chart on page 25. During these years, constant dollar sales rose from about $82,000 per employee to about $104,000 per employee.

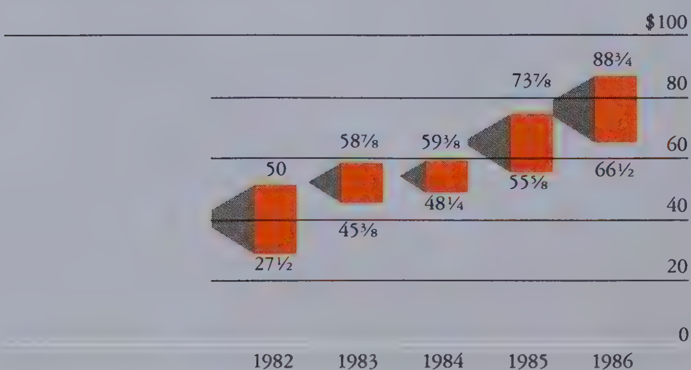
- **The backlog of unfilled orders** at the end of 1986 was $23.9 billion. Orders constituting the Company's backlog may be canceled or deferred by customers (subject in certain cases to cancellation penalties).

The significance of backlogs in understanding the Company's businesses has changed. Total revenues in 1986 were 32% more than five years earlier (1981), but the orders backlog at year-end 1986 was only 14% higher. The principal reason for the smaller increase in backlogs is that businesses where order-to-shipment cycles are short, and large backlogs are not standard, have been the source of much of GE's recent growth. This includes businesses such as major appliance, plastics and numerous services operations.

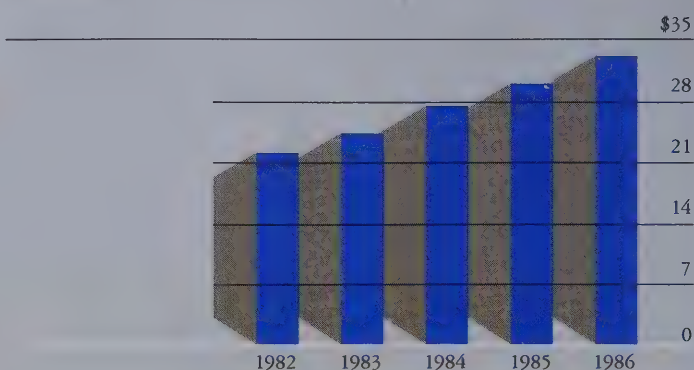
The types of products and services making up the Company's orders backlog have changed considerably in recent years in line with changes in GE's businesses. At the end of 1981, about 48% of the backlog was for power systems and 20% was for aircraft engines. These are the two principal industry segments where long order-to-shipment cycles are inherent in operations. By the end of 1986, aircraft engines and power systems each accounted for the same percentage of the total backlog — about 31%.

Approximately 60% of the total backlog at December 31, 1986, is scheduled to be shipped in 1987. For comparison, 51% of the backlog at the end of 1985 was ex-

GE stock price range



Share owners' equity per share — December 31 (In dollars)



Selected Financial Data

General Electric Company and consolidated affiliates

(Dollar amounts in millions; per-share amounts in dollars)	1986	1985	1984	1983	1982
Revenues	$ 36,725	$ 29,252	$ 28,931	$ 27,677	$ 27,189
Earnings before income taxes and minority interest	3,689	3,432	3,280	2,993	2,702
Net earnings	2,492	2,277	2,239	2,002	1,790
Net earnings per share	$ 5.46	$ 5.00	$ 4.94	$ 4.40	$ 3.94
Dividends declared per share	$ 2.37	$ 2.23	$ 2.05	$ 1.875	$ 1.675
Earned on average share owners' equity	17.3%	17.5%	19.0%	18.9%	18.7%
Dividends declared	$ 1,081	$ 1,020	$ 930	$ 852	$ 760
Shares outstanding — average (in thousands)	456,297	455,381	453,680	454,768	454,078
Share owner accounts — average	492,000	506,000	520,000	501,000	502,000
Short-term borrowings	$ 1,813	$ 1,297	$ 1,047	$ 1,016	$ 1,037
Long-term borrowings	4,351	753	753	915	1,015
Minority interest in equity of consolidated affiliates	189	126	128	167	165
Share owners' equity	15,109	13,671	12,398	11,137	10,086
Total capital invested	$ 21,462	$ 15,847	$ 14,326	$ 13,235	$ 12,303
Return on average total capital invested	13.9%	16.2%	17.6%	17.4%	16.9%
Total assets	$ 34,591	$ 26,162	$ 24,555	$ 23,047	$ 21,409
Property, plant and equipment additions other than additions by acquisition from RCA	$ 2,042	$ 1,953	$ 2,419	$ 1,671	$ 1,555
Worldwide employment — year end	359,000	292,000	316,000	335,000	342,000
Year-end orders backlog	$ 23,943	$ 23,117	$ 22,577	$ 20,589	$ 19,723

Financial information for 1986 includes RCA results from June 1, 1986, unless stated otherwise. Information for prior years has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. Prior-year presentations have been reclassified to conform with the 1986 presentation. (See note 1 to financial statements.) Share data have been adjusted for the 2-for-1 split in April 1983.

pected to be shipped in 1986. Virtually all of the 1986 aircraft engine backlog is scheduled to be shipped in the next five years. Included in the power systems backlog at December 31, 1986, were: $1.3 billion for steam-turbine generators ($2.0 billion the year before) and $3.0 billion for nuclear fuel, services and products (the same as the year before). Approximately $200 million and $1.8 billion of the December 31, 1986, steam turbine and nuclear backlogs, respectively, were scheduled for shipment five years or more in the future. Although GE remains a leader in most power systems products, domestic and foreign markets have been declining in recent years and worldwide competition has become intense. New order rates are quite low by long-term historical standards and backlogs for virtually all power systems products are declining. Company management continues vigorous efforts to improve power systems' cost-competitiveness and to adapt products and marketing to the changing environment.

Unfilled orders for export of all types of products and services from the United States were $4.2 billion at December 31, 1986, down from $4.7 billion the year before. The backlog of aircraft engine orders for export increased in dollar value from 1985 to 1986, and aircraft engines made up more than half of the year-end 1986 unfilled export order backlog.

The Summary of Industry Segments groups GE's various businesses by the principal industries in which they participate. These differ from the groupings presented earlier in this Report, which focus on key businesses in terms of strategy considerations involving resource allocation and long-term goals.

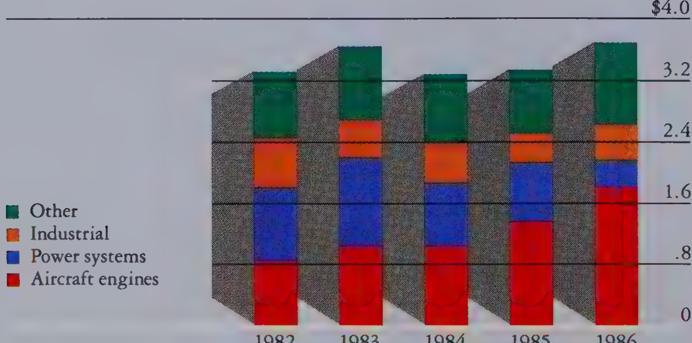
The classification of businesses by segment was modified for the 1986 presentation because of the acquisition of RCA. Although information for RCA is included only for the last seven months of the current year, in certain cases, mainly where GE and RCA operations are in the process of being integrated, prior-year classifications have been modified to improve comparability with current segment classifications. The more significant modifications include: separate reporting of aerospace, formerly included in the technical products and services segment; and inclusion of mobile communications, formerly part of the consumer products segment, with technical products and services.

The presentation has also been modified to stress operating profit rather than net earnings, which involve numerous accounting allocations. In addition, certain amounts included as "unusual items" in the Statement of Earnings are now also included in determination of current- and prior-year operating profit.

For a description of the businesses in each segment and for additional details, see note 24 to the financial statements.

- **Aerospace** revenues were 40% higher in 1986 than in 1985 and operating profit was up 39%. Addition of RCA's aerospace and defense business to this segment for the last seven months of 1986 accounted for about three-fourths of the increase in segment revenues and slightly more than half of the increase in operating profit. Aerospace revenues and operating profit have grown sharply in recent years on increasing volume, particularly on programs and projects involving electronic systems for defense, space and aviation needs, and on good cost performance.

U.S. exports to external customers (In billions)



- **Aircraft engines** revenues in 1986 were up 27% to about $6 billion and operating profit increased by 29%. The principal reason for the continued improvement in 1986 results was higher volume. Sales of GE engines for commercial and military aircraft have risen steadily since 1980. Higher operating profit has been achieved consistently despite substantial research and development costs for new engines, and investment in the plant improvements and capacity expansion necessary to provide and upgrade production efficiency and in the advanced technology required by all aircraft engine customers.

- **Consumer products** revenues reached $4.7 billion in 1986, a 45% increase, with operating profit up 36% to $577 million. The principal businesses in this segment are GE's and RCA's consumer electronics operations (mainly video and audio products) and GE's lighting business. Most of the increase in 1986 segment revenues came from the June addition of RCA's consumer electronics business, although the contribution to improved operating profit from the addition was relatively less important. GE's consumer electronics business had somewhat higher sales and, because of much better cost performance, made a positive contribution to 1986 operating profit following a loss in 1985. Sales of GE's lighting business in 1986 were slightly below 1985 but operating profit improved. Operating profit in 1986 also includes significant amounts from RCA's licensing income, which is heavily oriented to consumer electronics technology. In recent years, there has been a positive impact on this segment's operating profit from significant unusual gains from sales of assets (principally housewares, broadcasting and cablevision) in 1983-85, partly offset by restructuring provisions focused on longer-range improvements in consumer electronics and lighting. In 1986, this condition reversed and unusual charges to expense exceeded gains from asset sales.

- **Financial services** operating profit is more than accounted for by the net earnings of General Electric Financial Services, Inc. (GEFS), which reached a new high of $504 million in 1986. (Smaller financial services affiliates, including a venture capital company which operated at a loss in 1986, make up the difference in segment operations.) Within GEFS, Employers Reinsurance Corporation's 1986 earnings (including acquisition costs) reached $105 million, up from $36 million in 1985, on strong volume increases, excellent investment portfolio performance and good underwriting experience. Kidder, Peabody had a positive impact of 4 cents (including acquisition costs) on GE's 1986 net earnings per share for the six months subsequent to GEFS' acquisition of an 80% interest in the investment banking firm. General Electric Credit Corporation (GECC), the third GEFS affiliate, had net earnings of $379 million in 1986, slightly more than the $377 million of net earnings in 1985. GECC's "earned

Summary of Industry Segments

General Electric Company and consolidated affiliates

For the years ended December 31 (In millions)	1986	1985	1984	1983	1982
Revenues					
Aerospace	$ 4,318	$ 3,085	$ 2,622	$ 2,084	$ 1,935
Aircraft engines	5,977	4,712	3,835	3,495	3,140
Consumer products	4,654	3,220	3,466	3,422	3,558
Financial services	585	499	448	397	286
Industrial	4,711	4,762	4,495	4,509	4,949
Major appliances	4,107	3,617	3,650	3,078	2,751
Materials	2,331	2,119	2,280	1,885	1,593
National Broadcasting Company	1,817	—	—	—	—
Power systems	5,262	5,824	6,289	5,981	6,229
Technical products and services	3,266	2,317	2,402	2,154	2,086
All other	774	—	434	1,419	1,410
Corporate items and eliminations	(1,077)	(903)	(990)	(747)	(748)
Total	$36,725	$29,252	$28,931	$27,677	$27,189
Operating profit					
Aerospace	$ 608	$ 437	$ 332	$ 201	$ 192
Aircraft engines	869	673	460	395	344
Consumer products	577	425	553	309	306
Financial services	488	420	355	290	216
Industrial	182	252	79	94	311
Major appliances	462	399	381	383	166
Materials	424	330	446	314	233
National Broadcasting Company	203	—	—	—	—
Power systems	354	740	549	695	685
Technical products and services	112	22	(8)	166	204
All other	31	370	632	452	474
Total	$ 4,310	$ 4,068	$ 3,779	$ 3,299	$ 3,131

The notes to financial statements on pages 38-53 are an integral part of this statement. Financial information for 1986 includes RCA results from June 1, 1986. Information for prior years has been restated for the change in accounting for oil and gas properties in 1986 to the "successful efforts" method from the "full cost" method formerly used. Prior-year presentations have been reclassified to conform with the 1986 presentation. (See note 1 to the financial statements.)

income" was above 1985 principally because of a higher level of "earning assets." Also, the change in tax rates because of the Tax Reform Act of 1986 required that, in accordance with generally accepted accounting principles, investment in GECC's leveraged lease portfolio be recalculated with a net favorable effect on earnings. Unfavorable factors were investment write-downs and loss provisions related principally to the distressed energy-related markets served by GECC. In addition, GECC reserves were replenished to provide a record amount of protection against future losses.

The 1986 tax act contains numerous provisions that will affect GEFS and its affiliates. Among these provisions is a reduction in corporate tax rates from 46% to 40% in 1987 and to 34% in 1988 and subsequent years. GEFS had provided deferred income taxes aggregating $3.8 billion at December 31, 1986, for the tax effects of transactions that are recognized in different periods for financial statement than for tax purposes (timing differences). Deferred income taxes were provided at tax rates in effect when the differences arose. The planned reductions in federal tax rates mean that as timing differences reverse the resulting taxable income will be subject to the lower rates scheduled to apply in these periods.

• **Industrial** revenues in 1986 were about the same as 1985 while operating profit was down 28%. Sales and operating profits were essentially flat or down for principal businesses except factory automation, which had improved results from a year ago. GE's semiconductor business's operating loss increased during the year. Addition of RCA's solid-state business had no significant effect on segment results.

• **Major appliances** revenues increased 14% from 1985 and operating profit rose 16%. There was strong volume in 1986 in core appliance lines such as refrigerators and ranges through both retail and contract sales channels. Provisions for restructuring were down considerably in

1986 from 1985 and 1984 levels. Programs such as those undertaken in recent years to improve productivity and reduce in-warranty service costs through excellent product quality are benefiting current results.

• **Materials** revenues and operating profit were 10% and 28% higher, respectively, in 1986 than in 1985. Plastics led the improvement in profitability on strong volume gains. Silicone and specialty materials operating profits improved, particularly from productivity gains. Ladd Petroleum had a lower operating loss in 1986 than the restated loss for 1985.

• **National Broadcasting Company** revenues of $1.8 billion and operating profit of $203 million for the last seven months of 1986 had no counterpart in GE's results for 1985. Operating profit for 1986 includes the negative effect of $29 million of goodwill amortization which was partly offset by other acquisition accounting adjustments. For all of 1986, NBC's sales and earnings before acquisition costs set new records.

• **Power systems** operating profit dropped 52% in 1986 on 10% lower revenues. With continuation of the long-term downward trend in domestic and international markets for heavy electrical apparatus, turbine and nuclear operating profits were sharply lower than the previous year. Power delivery's somewhat better profitability from improved productivity more than offset lower sales volume. Domestic apparatus and engineering services operating profit improved in 1986 but international engineering and construction operations results were considerably below those of a year ago. Management is continuing its already substantial long-term efforts to downsize, streamline and better position power systems businesses for the future.

• **Technical products** operating profit of $112 million in 1986 was $90 million more than in 1985 on 41% higher revenues. The increases in operating profit were mostly accounted for by lower Calma Company losses, improved mobile communications profitability, fewer unusual expense provisions, and the addition of RCA's communications and services businesses for the last seven months of 1986. Higher sales were mainly due to the addition of RCA's communications and services businesses. Medical systems sales also were up, partly from acquisitions, although operating profit did not keep pace. GE's information services business (which is being integrated with RCA communications and services) had lower sales and operating profit.

• **All other** results for 1986 consists of certain other RCA operations, including carpets and records that were sold by year end. For years prior to 1986, all other consists of gains on sales and/or operations of Utah International in mining activities while part of GE.

• **GE's exports to external customers** totaled $3.7 billion in 1986, up from 1985's $3.3 billion. The chart on page 34 shows the major contributors to GE's exports for the past five years. Aircraft engines have grown substantially in importance since 1982, while power systems products have declined since the peak in 1983. Export earnings overall have been declining due to the continued impact of the non-competitive U.S. dollar vis-à-vis many foreign currencies and worldwide competition for today's sophisticated technological offerings. Export sales by major world areas can be found on page 53.

GE's total international operations (exports plus foreign affiliates) had revenues of $8.3 billion and operating profit of $1.3 billion in 1986, compared with revenues of $7.1 billion and operating profit of $897 million in 1985.

Statement of Financial Responsibility

To Share Owners of General Electric Company

The financial information in this Report, including the audited financial statements, has been prepared by GE management. Preparation of these statements and data involves estimates and the use of judgment. Accounting principles used in preparing the financial statements are those which are generally accepted in the United States. These principles are consistent with standards issued by the International Accounting Standards Committee except for information about the effects of changing prices, which is no longer required by United States accounting principles. In a few important instances, which are commented on in note 1 on page 38, where there is no single specified accounting principle or standard, management makes a choice from reasonable, accepted alternatives, using methods which it believes are prudent for GE.

To safeguard Company assets, it is important to have a sound but dynamic system of internal financial controls and procedures that balances benefits and costs. One of the key elements of GE's internal financial controls has been the Company's success in recruiting, selecting, training and developing professional financial managers. Their responsibilities include implementing and overseeing the financial control system, reporting management's stewardship of the assets entrusted to it by share owners, and performing accurate and proper maintenance of the accounts.

Management has long recognized its responsibility for conducting the Company's affairs in an ethical and socially responsible manner. The commitment to this responsibility is reflected in key written policy statements. These cover, among other subjects, potentially conflicting outside business interests of employees, compliance with antitrust laws and proper domestic and international business practices. GE is committed to maintaining the highest standards of conduct and practices with respect to transactions with the United States government. This commitment includes continuing emphasis to all employees, including RCA, that even the appearance of impropriety can erode public confidence in the Company and in the government procurement process. Ongoing education, communication and review programs are designed to create a strong compliance environment and to make it clearly understood that deviation from Company policies will not be tolerated.

Peat, Marwick, Mitchell & Co. provide an objective, independent review of management's discharge of its obligations relating to the fairness of reported operating results and financial condition. Their report for 1986 again took no exceptions to the Company's financial statements.

The Audit Committee of the Board (consisting solely of Directors from outside GE) maintains an ongoing appraisal, on behalf of share owners, of the effectiveness of the independent public accountants, the Company's staff of corporate auditors and GE management, with respect to preparation of financial statements, and of the adequacy of internal financial controls. The committee also reviews the Company's accounting policies, internal accounting controls, and the Annual Report and proxy material.

Dennis D. Dammerman
Senior Vice President
Finance

John F. Welch, Jr.
Chairman of the Board and
Chief Executive Officer

February 13, 1987

Report of Independent Certified Public Accountants

To Share Owners and Board of Directors of General Electric Company

We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1986 and 1985, and the related statements of earnings and changes in financial position for each of the years in the three-year period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements appearing on pages 27, 29, 31, 35 and 38-53 present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1986 and 1985, and the results of their operations and the changes in their financial position for each of the years in the three-year period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
345 Park Avenue, New York, N.Y. 10154

February 13, 1987

Summary of significant accounting policies

Financial statement presentation. In 1986, the Company changed the format of certain of its financial statements. The Statement of Earnings has been revised to reflect (1) the growing importance of revenues and related costs and expenses from transactions other than sales of tangible products, and (2) a recent U.S. Securities and Exchange Commission release with respect to cost classifications. Also, the Statement of Changes in Financial Position has been modified to portray certain significant aspects of purchasing RCA. Prior-year amounts shown in the statements and related notes have also been reclassified as appropriate to conform with the 1986 presentation. Additionally, prior-year amounts have been restated for the change in accounting for costs associated with oil and gas production, as discussed separately in this note, and industry segment data have been revised as presented in the Summary of Industry Segments, which is explained more fully in note 24 to the financial statements.

Consolidation. The financial statements represent the adding together of General Electric Company and all companies, except financial services companies, which GE controls through a majority interest or otherwise (affiliated companies). The effect of transactions among related companies is eliminated.

The principal financial services affiliate is General Electric Financial Services, Inc. (GEFS), a wholly owned company which in turn owns all of the stock of General Electric Credit Corporation and Employers Reinsurance Corporation and 80% of the stock of Kidder, Peabody Group Inc. These financial services companies are so different from the other GE companies that GE's financial statements are more understandable if financial services affiliates' statements are shown separately. Therefore, separate condensed statements of GEFS are shown in note 14 and the nonconsolidated financial services affiliates are included on the equity basis as "one line" in other investments in the Statement of Financial Position and in the Statement of Earnings.

Companies in which GE owns between 20% and 50% (associated companies) are also included on a "one line" basis.

Sales. A sale is recorded principally when title passes to customers or when services are performed in accordance with contracts.

Investment tax credit (ITC). The ITC was repealed, with some transitional exceptions, effective January 1, 1986. However, for financial reporting purposes, GE has deferred recognition of the ITC each year and continues to amortize ITC as a reduction of the provision for income taxes over the lives of the facilities to which the credit applies.

Pensions and other retirement benefits. In 1986, the Company adopted new pension accounting procedures prescribed by the Financial Accounting Standards Board. Accounting policies for pensions, including the effect of adopting the new procedures, as well as policies for other retirement benefits, are discussed in note 4.

Inventories. The values of most inventories are determined on a last-in first-out, or LIFO, basis and do not exceed realizable values.

Depreciation, depletion and amortization. The cost of most manufacturing plant and equipment, other than that acquired in the purchase of RCA Corporation (RCA) in 1986, is depreciated using an accelerated method based primarily on a sum-of-the-years digits formula. Plant and equipment of RCA operations continues to be depreciated on a straight-line basis. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided. Mining properties, which were sold in 1984 and 1985, were depreciated, depleted or amortized mainly by the unit-of-production method. Mining exploration costs were charged directly to expense until development of a specific mineral deposit was likely to be economically feasible. After such determination, all related development costs were capitalized and subsequently amortized over the productive life of the property, commencing with the start-up of production.

Restatement of prior years' financial statements for the change in method of accounting for oil and gas properties. In 1986, the Company changed its method of accounting for oil and gas properties from the "full cost" method to the "successful efforts" method. Management considers this change prudent in view of the weakness of oil and gas prices and the uncertain outlook for prices in the industry. Fewer costs are capitalized under the "successful efforts" method than under the "full cost" method, thus reducing the risk of non-recovery of asset values.

This change in method must be applied retroactively. Accordingly, previously reported net earnings have been restated downward by $59 million (13 cents per share) for 1985 and $41 million (9 cents per share) for 1984. The balance of retained earnings at January 1, 1984, has been restated downward by $133 million (29 cents per share) for the cumulative effect on operations of years before 1984.

RCA acquisition

On June 9, 1986, GE acquired RCA Corporation and its subsidiaries (RCA) in a transaction for which the total consideration to former RCA shareholders was $6.406 billion in cash. RCA businesses include the manufacture and sale of a wide range of electronic products and related research and services for consumer, commercial, military and space applications; the National Broadcasting Company's (NBC) radio and television stations and network broadcasting services; and domestic and international message and data communications services.

The acquisition was accounted for as a purchase, and the operating results of RCA have been consolidated with those of GE since June 1, 1986. In preparing 1986 financial information, the purchase price ($6.426 billion, including an estimated $20 million of related costs) has been allocated to the assets and liabilities of RCA based on estimates of fair market values. The excess of purchase price over the estimate of fair values of net assets acquired (goodwill) was $2.7 billion, which is being amortized on a straight-line basis over 40 years. The final purchase price allocation may differ from estimates as a result of changes due to appraisals and evaluations of RCA's assets and liabilities. Completion of these appraisals and evaluations is not expected until sometime in 1987.

Unaudited pro forma consolidated results of operations for the years 1986 and 1985, assuming RCA had been acquired at the beginning of each period, are shown below.

Pro forma consolidated operations
(Dollar amounts in millions; per-share amounts in dollars)

	1986	1985
Sales	$38,997	$37,258
Net earnings	2,471	2,143
Net earnings per share	5.42	4.71

These pro forma results are not necessarily indicative of the consolidated results which would have been reported if the RCA acquisition had actually occurred at the beginning of each respective period presented, or which may be reported in the future.

Sources of funds to pay RCA shareholders at the closing date included: net proceeds from 11 public debt offerings in domestic and foreign markets aggregating $3.366 billion at varying rates (weighted average borrowing cost to the Company of 7.4%) and maturities (ranging from 1989 to 2016); short-term borrowings aggregating $2.040 billion; and cash and cash equivalents of GE in the amount of $1.0 billion.

The pro forma consolidated results of operations shown above are based on assumptions concerning a financing structure in effect after repayment of most interim short-term financing with medium- and long-term borrowings. For purposes of calculating pro forma interest expense as it might have been for the year 1986 if the merger had occurred January 1, 1986 (as shown above), the weighted average interest rate used was 8.94% and was representative of rates GE would have experienced on the basis of the assumed final mix of short-, medium- and long-term debt in place at January 1, 1986. Similarly, assuming the same financing structure and consummation of the merger at January 1, 1985, the weighted average interest rate used for the year 1985 shown above was 11.15%. A change of one percentage point in the interest rate assumption would change annual interest expense (or income) by approximately $64 million before taxes or $35 million after taxes (8 cents per share).

In accordance with agreements with agencies of the United States government, GE is required to sell its military vidicon business (which sale was completed in 1986) and five radio stations owned by NBC. Also, in December 1986, GE sold RCA businesses involving audio tapes and records, carpets and an insurance subsidiary, which are not consistent with GE's long-range strategic plans. These required or completed dispositions have no significant effect on the pro forma sales and net earnings presented above.

It is possible that further evaluation will result in other dispositions of businesses or assets, but no such dispositions are reflected in the pro forma information inasmuch as management presently has no plans that it expects would result in any material non-recurring charges or credits to earnings arising directly from acquisition of RCA.

Supplemental cost details (excluding unusual items)

Supplemental cost details are shown in the table below.

Supplemental cost details (In millions)	1986	1985	1984
Employee compensation, including benefits	$11,775	$10,468	$10,939
Depreciation, depletion and amortization	1,460	1,249	1,103
Company-funded research and development	1,300	1,069	1,038
Maintenance and repairs	803	692	744
Social Security taxes	725	626	616
Advertising	481	367	356
Taxes, except Social Security and those on income	288	247	264

Pensions and other retiree benefits

GE and its affiliates sponsor a number of pension and other retiree benefit plans. This note summarizes important financial aspects of GE's obligations for these plans. Measurements of obligations and costs are based on actuarial calculations involving various assumptions as to future events.

- **Principal pension plans:**

The General Electric Pension Plan (GE Plan) covers substantially all employees in the United States except RCA employees. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. GE Plan benefits are funded through the General Electric Pension Trust (GE Trust). The information shown herein for the GE Plan and GE Trust includes amounts related to two pension plans covering certain employees at government-owned, GE-operated facilities. These plans were established in 1986 subject to government and other approvals and contain the same benefit formulas as the GE Plan. At the end of 1986, approximately 213,300 employees were covered by the GE Plan, approximately 67,000 former employees with vested rights were entitled to future benefits and approximately 119,900 retirees or beneficiaries were receiving benefits.

The RCA Retirement Plan (RCA Plan) covers substantially all RCA employees in the United States. Generally, benefits are based on the greater of a formula recognizing career earnings or a formula recognizing length of service and final average earnings. RCA Plan benefits are funded through the RCA Retirement Plan Master Trust (RCA Trust). At the end of 1986, approximately 44,700 employees were covered by the RCA Plan, approximately 28,100 former employees with vested rights were entitled to future benefits and approximately 15,700 retirees or beneficiaries were receiving benefits.

The General Electric Supplementary Pension Plan is an unfunded plan providing supplementary retirement benefits primarily to higher-level, longer-service GE management and professional employees in the United States. At the end of 1986, approximately 3,800 employees were eligible for this plan and approximately 3,600 retirees or beneficiaries were receiving benefits.

Other pension plans are sponsored by domestic and foreign affiliates, but these are not considered to be significant individually or in the aggregate to GE's financial position.

GE adopted Statement of Financial Accounting Standards No. 87 (SFAS 87) for pension accounting effective January 1, 1986. SFAS 87 requires use of the projected unit credit cost method to determine the projected benefit obligation and plan cost. The projected benefit obligation is the actuarial present value of the portion of projected future benefits that is attributed to employee service to date. The benefit cost for service during the year is the portion of the projected benefit obligation that is attributed to employee service during the year. This cost method recognizes the effect of future compensation and service in projecting the future benefits, and it had been used for the GE Plan and RCA Plan before adoption of SFAS 87.

In addition, SFAS 87 requires calculation of a "transition gain" that is the excess at January 1, 1986, of the current fair market value of plan assets over the plan's projected benefit obligation. This transition gain is being amortized over 15 years, except that the net transition gain for the RCA Plan has been recognized as an asset in accounting for the RCA acquisition.

Changes in pension benefits which are allocable to previous service of employees will be amortized over the average future-service period of employees. Gains and losses that occur because actual experience differs from that assumed will be amortized in the same manner.

Actuarial assumptions for the principal pension plans include 8.5% for both the assumed discount rate used to determine the present value of future benefits and the expected long-term rate of return on plan assets (the GE Plan used 8% in 1985 and 7.5% in 1984, excluding the effect of a dedicated portfolio in those years). The 1986 assumed rate of average future increases in pension benefit compensation was 6.5% (the GE Plan used 7% in 1985 and 1984).

Employer costs for principal pension plans were $143 million in 1986, $479 million in 1985 and $582 million in 1984. GE Plan costs were lower in 1986 because of the adoption of SFAS 87 and changes in the assumed discount and benefit compensation increase rates. The impact of these lower costs, after recognizing income tax effects and government cost reimbursement, was equal to $81 million (18 cents per share) from the adoption of SFAS 87 and $79 million (17 cents per share) from the rate changes. Causes of the cost reduction from 1984 to 1985 included a change in the assumed discount rate, the full-year impact of a dedicated portfolio and amortization of continued favorable GE Trust income experience.

Details of 1986 cost for the principal pension plans are shown in the next table.

Cost for principal pension plans

For the year (In millions)		1986
Benefit cost for service during the year		$ 349
Interest cost on projected benefit obligation		1,074
Actual return on plan assets	(2,739)	
Amount deferred to future periods	1,672	
Recognized return on plan assets		(1,067)
Net amortization		(213)
Net pension cost		$ 143

Recognized return on plan assets is determined by applying the expected long-term rate of return to the market-related value of assets. The market-related value of assets is based on amortized cost plus recognition over five years of market appreciation and depreciation in the portfolio.

The funding policy for the GE Plan and RCA Plan is to contribute amounts sufficient to meet minimum funding requirements set forth in U.S. employee benefit and tax laws plus such additional amounts as GE may determine to be appropriate from time to time. Covered employees also make contributions toward funding of the plans.

A measure of the funding status for an ongoing plan compares the market-related value of assets with the projected benefit obligation. GE believes the market-related value of assets is more realistic than current fair market value because the market-related value reduces the impact of short-term market fluctuations. A summary for the GE Plan follows.

GE Plan — funding status

December 31 (In millions)	1986	1985	1984
Market-related value of assets	$13,311	$10,924	$ 9,704
Projected benefit obligation	11,965	11,598	11,116

Market-related values were increased by $659 million at January 1, 1986, to comply with SFAS 87. Changes in interest rate assumptions reduced projected benefit obligations by $210 million and $699 million in 1986 and 1985, respectively.

For the RCA Plan, the projected benefit obligation was $2,586 million and the market-related value of assets was $2,330 million at the end of 1986.

A schedule reconciling the projected benefit obligation for principal pension plans with GE's recorded pension liability is shown below.

Reconciliation of projected benefit obligation with pension liability for principal pension plans

December 31 (In millions)	1986
Projected benefit obligation	$ 14,846
Less current fair market value of Trust assets	(19,547)
Unrecognized SFAS 87 transition gain	2,154
RCA Plan valuation adjustment for future tax effects and government cost reimbursement	162
Other unrecognized net experience gains	2,538
Recorded prepaid pension assets	218
Recorded pension liability	$ 371

The portion of the December 31, 1986, projected benefit obligation representing the accumulated benefit obligation was $12,258 million and the vested benefit obligation was $11,958 million. These amounts are based only on compensation and service to date. Other unrecognized net experience gains resulted principally from favorable investment performance and the changes in assumed discount and benefit compensation increase rates.

GE Trust and RCA Trust assets, which are not consolidated with those of GE, consist mainly of common stock and fixed income investments. GE common stock held by these Trusts totaled $105 million at the end of 1986. A summary of changes in net assets of the GE Trust follows.

GE Trust — change in net assets at current fair market value

For the year (In millions)	1986	1985	1984
Net assets at January 1	$14,362	$11,350	$ 9,886
Employer contributions	94	434	503
Employee contributions	94	107	101
Investment income including market appreciation	2,700	2,968	1,281
Benefits paid	(579)	(497)	(421)
Net assets at December 31	$16,671	$14,362	$11,350

The current fair market value of RCA Trust net assets was $2,876 million at December 31, 1986.

- **Principal retiree health care and life insurance plans:**

GE and its affiliates have a number of plans providing retiree health care and life insurance benefits. GE's aggregate cost for the principal GE and RCA plans was $84 million in 1986, $74 million in 1985 and $138 million in 1984. The increase in 1986 costs is attributable to inclusion of RCA plans, offset partially by an increase in the assumed discount rate used to determine the present value of future benefits. A reduction in life insurance reserve requirements attributable to an updating of mortality assumptions was the primary cause of the 1985 decrease.

Generally, GE and RCA employees who retire or terminate after qualifying for optional early retirement under the GE Plan or RCA Plan are eligible to participate in the corresponding retiree health care and life insurance plans. Health care benefits for eligible retirees under age 65 and

eligible dependents are included in costs as covered expenses are actually incurred. For eligible retirees and spouses over age 65, health care benefits are funded or accrued and included in costs in the year the retiree becomes eligible for benefits. The present value of life insurance benefits for eligible retirees is funded and included in costs in the year of retirement.

Most retirees outside the United States are covered by government programs and GE's cost for such retiree health care and life insurance is not significant.

Other income

(In millions)	1986	1985	1984
Marketable securities and bank deposits	$ 316	$258	$323
Royalty and technical agreements	232	78	83
Customer financing	78	66	75
Associated companies	42	37	33
Other investments: Interest	62	23	19
Dividends	11	11	11
Other sundry items	269	80	108
	$1,010	$553	$652

Income from royalty and technical agreements increased substantially in 1986 from the acquisition of RCA. Other sundry items included gains of $178 million, $38 million and $39 million in 1986, 1985 and 1984, respectively, from sales of portions of the Company's long-held passive investment in equity securities of Toshiba Corporation.

Interest and other financial charges

Interest capitalized on major property, plant and equipment and real estate development projects was $38 million in 1986, $32 million in 1985 and $20 million in 1984.

Unusual items

Unusual items include pretax gains from certain asset sales and pretax expense provisions for costs of several different types of transactions. Gains from sales of assets which management has determined are not complementary to the Company's future business focus (other than sales of certain assets acquired from RCA) were $50 million in 1986, $518 million in 1985 and $617 million in 1984. Total unusual expenses aggregated $311 million in 1986, $540 million in 1985 and $762 million in 1984. Details of these unusual gains and expenses follow.

- *Unusual gains in 1986 arose from* the sale of a small foreign affiliate ($12 million) and adjustments to previous unusual disposition provisions ($38 million).

- *Unusual gains in 1985 arose from:*

(1) Sale of the 15.5% interest in Australian coal properties which had been retained at the time of the disposition in 1984 of most of Utah International Inc. (Utah). The 15.5% interest was sold to three buyers for cash amounting to $387 million and occurred in the second and third quarters. The gain from these three transactions was $247 million before taxes. The contribution to GE's operating results from these interests during the portion of 1985 prior to their disposition was not significant.

(2) Disposition of the remaining 37% of GE's interest in the cablevision company into which GE's former cablevision operations had been merged in 1984. The 1985 transaction was completed in December for a pretax gain of $132 million. Payment included $43 million in cash and a non-interest-bearing note due one year from closing. Earnings from this investment prior to disposition were an insignificant portion of GE's total 1985 results.

(3) Other transactions resulting from adjustments to previous unusual disposition provisions. These aggregated $139 million before taxes in 1985.

- *Unusual gains in 1984 included:*

(1) Sale of most of Utah to The Broken Hill Proprietary Company Limited in a transaction valued at $2.4 billion, representing the cash proceeds from the sale as well as the value of the 15.5% interest in several Australian coal properties which the Company acquired and retained and subsequently sold in 1985. (GE also retained Ladd Petroleum Corporation, formerly a wholly owned Utah affiliate.) GE's share of the total assets of new and retained properties at December 31, 1984, is shown as "all other" in note 24. GE's revenues and net earnings for 1984 included $373 million and $70 million, respectively, from Utah for the first quarter, while "all other" results for the remainder of 1984 are only for the properties owned subsequent to the sale. The 1984 gain from the Utah transaction was $500 million before taxes and after providing for future contractual obligations.

(2) Sale of GE's small household appliance operations, both domestically and abroad, to The Black and Decker Manufacturing Company (B&D) in April. Small appliance operations accounted for less than 2% of GE's consolidated sales. This transaction did not include any of GE's other consumer products lines. GE received cash, three million shares of B&D stock (one-half of which was subsequently sold in January 1986) and approximately $50 million in a three-year note. GE has agreed not to sell the remaining B&D stock, except in certain circumstances, nor to purchase additional B&D stock until 1987. The note was interest-free for the first year and bears interest of 9% annually thereafter. The gain from this disposition was $28 million before taxes and after providing for future contractual obligations.

(3) Merger of General Electric Cablevision Corporation in the fourth quarter of 1984 into a subsidiary of United Artists Cablesystems Corporation (Cablesystems). In this transaction, GE received cash and 37% of the stock of Cablesystems. Cablevision operations were minor in relation to GE's total results. The gain on this transaction was $89 million before taxes and after providing for future contractual obligations.

• *Unusual costs include the following:*

Expense provisions to cover corporate restructurings — $311 million in 1986, $447 million in 1985 and $636 million in 1984. These represent the provisions for expenses of refocusing a wide variety of business and marketing activities and reducing foreign and domestic risk exposures. These provisions include costs of rationalizing and improving a large number of production facilities, rearranging production activities among a number of existing plants, and reorganizing, phasing out or otherwise concluding other activities no longer considered essential to the conduct of the Company's business.

Special cash payment to certain employees in 1985 — $93 million. The payment was equal to 3% of normal straight-time annual earnings in July 1985 to hourly union employees, in accordance with new union contracts, and also to certain other hourly and non-exempt salaried employees. The total payment aggregated $103 million and was reflected as an unusual expense for the quarter or was capitalized in inventory, depending on employees' work assignments, with inventoried amounts recorded as expense when the inventories are sold.

Revaluations of goodwill and intangibles. In 1984, goodwill and intangibles were revalued downward by $126 million to recognize the rapid changes occurring in certain technology businesses.

8 Provision for income taxes

(In millions)	1986	1985	1984
U.S. federal income taxes:			
Estimated amount payable	$1,062	$ 842	$1,051
Effect of timing differences	(95)	90	(161)
Investment credit deferred (amortized) — net	(38)	35	41
	929	967	931
Foreign income taxes:			
Estimated amount payable	198	135	143
Effect of timing differences	(24)	(4)	(88)
	174	131	55
Other (principally state and local income taxes)	97	45	44
	$1,200	$1,143	$1,030

All GE consolidated U.S. federal income tax returns have been closed through 1972.

• Provision has been made for U.S. federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled $1,063 million at the end of 1986, $946 million at the end of 1985 and $883 million at the end of 1984.

• General Electric Financial Services, Inc. (GEFS) is a nonconsolidated affiliate for financial reporting but is included in GE's consolidated U.S. federal income tax return. Taxes payable by the consolidated companies shown in the preceding table exclude the effect of significant tax credits and deductions of GEFS, which arise primarily from leasing activities. GE and GEFS together had net taxes payable for 1986, 1985 and 1984. Existing leases of GEFS will generate taxable income in future years, which is provided for in the deferred income taxes of GEFS (see note 14). At December 31, 1986, 1985 and 1984, tax credit carryforwards totaling $275 million, $358 million and $92 million, respectively, were recorded by GEFS as a partial offset to deferred taxes. For financial reporting purposes, investment tax credit carryforward amounts are amortized to earned income over lease periods (as are investment tax credits currently usable). For tax purposes, they will be offset against taxes payable in the future.

Some items are reported in financial statements in different years than they are included in tax returns. Deferred taxes are provided on these timing differences as summarized below.

Effect of timing differences on U.S. federal income taxes

Increase (decrease) in provision for income taxes (In millions)	1986	1985	1984
Tax over book depreciation	$ 87	$ 124	$ 168
Margin on installment sales	(33)	48	28
Provision for warranties	(27)	23	24
Provision for pensions	(52)	(171)	(47)
Other — net	(70)	66	(334)
	$(95)	$ 90	$(161)

Other — net reflects a number of individual timing differences, including those related to various portions of transactions involving business dispositions, restructuring expense provisions and, in 1984, reductions of intangibles.

• The U.S. investment tax credit (ITC) was repealed, with some transitional exceptions, effective January 1, 1986. ITC in 1986, 1985 and 1984 aggregated $49 million,

$111 million and $110 million, respectively. In 1986, $87 million was included in net earnings, compared with $76 million in 1985 and $69 million in 1984. At the end of 1986, the amount deferred which will be included in net earnings in future years was $376 million.

Reconciliation from statutory to effective income tax rates

	1986	1985	1984
U.S. federal statutory rate	46.0%	46.0%	46.0%
Reduction in taxes resulting from:			
Varying tax rates of consolidated affiliates (including DISC and FSC)	(2.2)	(3.6)	(3.9)
Inclusion of GEFS earnings in before-tax income on an after-tax basis	(6.3)	(5.5)	(4.5)
Investment credit	(2.3)	(2.2)	(2.1)
Unusual items (varying tax rates)	(0.4)	(0.6)	(2.4)
Income tax at capital gains rate	(1.4)	(0.2)	(0.3)
Other — net	(0.9)	(0.6)	(1.4)
Effective tax rate	32.5%	33.3%	31.4%

• Based on the location of the component furnishing goods or services, domestic income before taxes was $3,081 million in 1986 ($3,232 million in 1985 and $2,956 million in 1984). The corresponding amounts for foreign-based operations were $608 million, $200 million and $324 million in each of the last three years, respectively. Provision for income taxes is determined on the basis of the jurisdiction imposing the tax liability. Therefore, U.S. and foreign taxes shown previously do not compare directly with these segregations.

Cash and marketable securities

Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Carrying value of marketable securities was substantially the same as market value at year-end 1986 and 1985. Equity securities in the portfolio were carried at a cost of $48 million and $206 million at December 31, 1986 and 1985, respectively.

Current receivables

December 31 (In millions)	1986	1985
Receivable from:		
Customers	$5,748	$4,571
Associated companies	178	114
Nonconsolidated affiliates	13	15
Others	1,425	1,434
	7,364	6,134
Less allowance for losses	(156)	(94)
	$7,208	$6,040

Inventories

December 31 (In millions)	1986	1985
Raw materials and work in process	$ 4,305	$3,618
Finished goods	2,379	1,926
Unbilled shipments	229	261
	6,913	5,805
Less revaluation to LIFO	(1,752)	(1,856)
LIFO value of inventories	$ 5,161	$3,949

About 80% of total inventories is valued using the LIFO method of inventory accounting.

• LIFO revaluations decreased by $104 million, $171 million and $125 million during 1986, 1985 and 1984, respectively. Included in these decreases were $51 million, $128 million and $125 million (1986, 1985 and 1984, respectively) due to lower inventory levels, mainly in power systems. Also, in 1986 and 1985, there were net current-year price decreases. In 1984, $32 million of the total decrease was due to business dispositions partly offset by higher current-year prices.

Property, plant and equipment

(In millions)	1986	1985
Major classes at December 31:		
Manufacturing plant and equipment		
Land and improvements	$ 271	$ 178
Buildings, structures and related equipment	4,087	3,449
Machinery and equipment	12,061	10,218
Leasehold costs and manufacturing plant under construction	1,140	906
Oil and gas properties	815	955
	$18,374	$15,706
Cost at January 1	$15,706	$14,458
Additions — acquired with RCA	1,638	—
— other	2,042	1,953
Dispositions	(1,011)	(678)
Other changes	(1)	(27)
Cost at December 31	$18,374	$15,706
Accumulated depreciation, depletion and amortization		
Balance at January 1	$ 7,806	$ 7,089
Current-year provision	1,460	1,249
Dispositions	(736)	(536)
Other changes	3	4
Balance at December 31	$ 8,533	$ 7,806
Property, plant and equipment less depreciation, depletion and amortization at December 31	$ 9,841	$ 7,900

13 Funds held for business development

Funds held for longer-term future business development are invested in a variety of securities, principally state, county and municipal bonds and corporate preferred stocks. Estimated realizable value of these investments was about the same as cost at December 31, 1986 and 1985.

14 Other investments

December 31 (In millions)	1986	1985
Nonconsolidated financial services affiliates (a)	$3,054	$2,311
Associated companies (a)	414	293
Miscellaneous investments (at cost) (b):		
Government and government-guaranteed securities	177	158
Other	258	344
	435	502
Marketable equity securities (c)	74	81
Less allowance for losses	(63)	(37)
	$3,914	$3,150

(a) Includes advances at December 31, 1986, of $24 million (nonconsolidated financial services affiliates) and $13 million (associated companies).

(b) Estimated realizable value about the same as cost at year end.

(c) Carried at cost. Aggregate market value was $65 million and $209 million at year-end 1986 and 1985, respectively. Gross unrealized gains were $16 million and gross unrealized losses were $25 million at December 31, 1986.

• Investment in nonconsolidated financial services affiliates represents predominately GE's investment in General Electric Financial Services, Inc. (GEFS). GEFS includes wholly owned General Electric Credit Corporation (GECC) and Employers Reinsurance Corporation (ERC), and an 80% interest in Kidder, Peabody Group Inc. (Kidder). The investment in Kidder was acquired by GEFS in June 1986 and was accounted for as a purchase. During the normal course of business, GEFS and its affiliates have minor transactions with GE and certain of its consolidated affiliates. Virtually all products financed by GECC are manufactured by companies other than GE. GEFS is included in GE's consolidated U.S. federal income tax return. Condensed consolidated financial statements for GEFS follow, which include operations of Kidder and ERC from their dates of acquisition.

Pro forma net earnings of GEFS for the years 1986 and 1985, assuming acquisition of Kidder had been completed at the beginning of each of those years, would not have been significantly different from amounts actually reported.

More information about GEFS is in its annual report, which may be obtained from General Electric Financial Services, Inc., P.O. Box 8300, Stamford, Conn. 06904.

General Electric Financial Services, Inc. and consolidated affiliates

Current and retained earnings

For the year (In millions)	1986	1985	1984
Earned income:			
Earned income from operations	$5,976	$3,805	$2,933
Effect on investment in leveraged leases of change in tax rate assumptions	(172)	—	—
Sale of stock by nonconsolidated affiliate	10	—	—
Total earned income	5,814	3,805	2,933
Expenses:			
Interest and discount expense	2,063	1,339	1,123
Operating and administrative expense	1,402	768	602
Losses and policyholder benefits of insurance affiliates	1,439	876	583
Provision for losses on financing receivables	558	185	109
Provision for losses on other assets	10	3	1
Depreciation and amortization	403	210	161
Total expenses	5,875	3,381	2,579
Earnings (loss) before income taxes	(61)	424	354
Provision for income taxes:			
Income tax provision (credit) from operations	(173)	11	25
Effect on income taxes of change in tax rate assumptions for leveraged leases	(392)	—	—
Total provision (credit) for income taxes	(565)	11	25
Net earnings	504	413	329
Retained earnings at beginning of period	1,139	726	397
Retained earnings at end of period	$1,643	$1,139	$ 726

Financial position

December 31 (In millions)	1986	1985
Financing receivables:		
Time sales and loans, net of deferred income	$14,930	$11,854
Investment in financing leases	8,347	7,267
Total financing receivables	23,277	19,121
Allowance for losses	(603)	(492)
Financing receivables — net	22,674	18,629
Cash and short-term investments	405	509
Marketable securities at cost	3,680	2,746
Marketable securities at market	5,646	166
Securities purchased under agreements to resell	12,961	—
Other receivables — net	4,325	938
Equipment on operating leases — net	1,726	1,113
Other assets	2,406	1,539
Total assets	$53,823	$25,640
Notes payable:		
Due within one year	$17,741	$11,563
Long-term	5,656	4,830
Securities sold under agreements to repurchase	13,070	—
Securities sold but not yet purchased at market	3,525	—
Reserves of insurance affiliates	2,880	2,048
Other liabilities	4,076	1,265
Total liabilities	46,948	19,706
Deferred income taxes	3,838	3,581
Deferred investment tax credits	43	51
Capital stock	1	1
Additional paid-in capital	1,347	1,152
Retained earnings	1,643	1,139
Other	3	10
Equity	2,994	2,302
Total liabilities, deferred tax items and equity	$53,823	$25,640

15 Intangible assets

December 31 (In millions)	1986	1985
Goodwill	$2,793	$117
Other intangibles	788	105
	$3,581	$222

Accumulated amortization of goodwill was $147 million and $111 million at December 31, 1986 and 1985, respectively. Accumulated amortization of other intangibles was $308 million and $239 million at December 31, 1986 and 1985, respectively. Goodwill and other intangibles at year-end 1986 were mainly from the RCA acquisition, for which goodwill is being amortized on a straight-line basis over 40 years. Other intangibles and goodwill are being amortized over shorter periods as appropriate, ranging from five to 20 years.

16 Other assets

December 31 (In millions)	1986	1985
Long-term receivables	$ 555	$ 549
Television program costs	461	—
Recoverable engineering costs on government contracts	405	422
Deferred charges	318	122
Deferred income taxes	180	160
Real estate development projects	169	181
Customer financing	79	94
Other	403	90
	$2,570	$1,618

The National Broadcasting Company capitalizes program costs (including rights to broadcast) when paid or when a program is ready for broadcast, if earlier. These costs are amortized based upon projected revenues or expensed when a program is determined to have no value.

17 Short-term borrowings

December 31 (In millions)	1986		1985	
	Amount	Average rate at Dec. 31	Amount	Average rate at Dec. 31
General Electric Company:				
Notes with trust departments	$ 359	6.4%	$ 304	7.5%
Commercial paper	897	6.2	50	7.9
Consolidated affiliate bank borrowings	334	29.6	601	31.6
Other, including current portion of long-term borrowings	223		342	
	$1,813		$1,297	

- Other borrowings at December 31, 1986, included amounts from nonconsolidated affiliates of $146 million ($89 million at December 31, 1985). Other borrowings at December 31, 1985, also included $170 million of repurchase agreements. These agreements represented a loan by GE of U.S. Treasury Notes (classified as current marketable securities of $162 million) in connection with the borrowings.

- The average balance of short-term borrowings, excluding the current portion of long-term borrowings, was $3,200 million in 1986 (calculated by averaging month-end balances for the year), compared with an average balance of $1,391 million in 1985. The maximum balances in these calculations were $4,742 million and $1,813 million at the end of September 1986 and 1985, respectively. The average worldwide effective interest rate for the year 1986 was 8% and for 1985 was 15%. These average rates represent total short-term interest incurred divided by the average balance outstanding.

- Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, confirmed credit lines of approximately $1.4 billion had been extended by about 49 banks at year-end 1986. Substantially all of these lines are also available for use by GECC and General Electric Financial Services, Inc. in addition to their own credit lines.

18 Accounts payable

December 31 (In millions)	1986	1985
Trade accounts	$1,972	$1,757
Collected for the account of others	342	180
Due to nonconsolidated affiliates	280	267
	$2,594	$2,204

19 Other costs and expenses accrued

The balances at year-end 1986 and 1985 included compensation and benefit costs accrued of $1,067 million and $756 million, respectively.

20 Long-term borrowings

Outstanding December 31 (In millions)	1986	1985
7⅛% Notes Due 1989	$ 500	$ —
6⅞% Notes Due 1989	500	—
12¼% Australian Dollar Notes Due 1989 (a)	108	—
16¼% Notes Due 1987-1989 (b)	85	—
11½% Notes Due 1990 (b)	75	—
5¾% Notes Due 1972-1991	25	32
6⅞% Notes Due 1991	500	—
7⅛% Euro-dollar Notes Due 1991	300	—
5.30% Sinking Fund Debentures Due 1973-1992	34	34
12¾% Notes Due 1992 (b)	100	—
5¾% Euro-yen Notes Due 1993 (c)	194	—
4⅛% Euro-dollar Discount Notes Due 1993	200	—
7% Euro-dollar Extendible Notes Due 1998 (d) (g)	200	—
8½% Debentures Due 1985-2004	217	217
8% Euro-dollar Extendible Notes Due 2006 (e) (g)	300	—
7⅜% Euro-dollar Extendible Notes Due 2006 (f) (g)	300	—
8⅝% Sinking Fund Debentures Due 2016	300	—
Industrial development bonds	248	251
All other	165	219
	$4,351	$753

(a) The Company has entered into certain contracts which result in a fixed U.S. dollar interest cost of 7.67%.
(b) Debt originally incurred by RCA but for which GE is now the obligor.
(c) Notes are yen 35 billion at a fixed exchange rate of yen 180.41 = $U.S. 1.00.
(d) Interest rate subject to annual adjustment at the Company's option beginning in 1989.
(e) Interest rate subject to annual adjustment at the Company's option beginning in 1993.
(f) Interest rate subject to annual adjustment at the Company's option beginning in 1991.
(g) At annual rate adjustment dates, notes are redeemable in whole or in part at the option of the Company or repayable at the option of the holders.

• All other long-term borrowings include original issue premium and discounts, an adjustment to bring RCA borrowings at acquisition date to fair market value and a variety of borrowings by affiliates and parent components with various interest rates and maturities. Amounts due to nonconsolidated affiliates were $6 million at the end of 1986 and 1985.

• Long-term borrowing maturities during the next five years, including the portion classified as current, are $66 million in 1987, $30 million in 1988, $1,305 million in 1989, $137 million in 1990 and $821 million in 1991. These amounts are after deducting debentures which have been reacquired for sinking-fund needs.

21 Share owners' equity

Preferred stock up to 2,000,000 shares ($1.00 par value) is authorized, but no such shares have been issued. Common stock (par value $1.25) shares authorized total 550,000,000.

Shares of common stock December 31 (In thousands)	1986	1985	1984
Issued January 1	463,282	462,928	462,928
Shares for pooling of interests	—	354	—
Issued December 31	463,282	463,282	462,928
In treasury	(7,387)	(7,306)	(8,052)
Outstanding	455,895	455,976	454,876

Share owners' equity (In millions)	1986	1985	1984
Common stock issued			
Balance January 1 and December 31	$ 579	$ 579	$ 579
Other capital			
Balance January 1	$ 641	$ 640	$ 657
Foreign currency translation adjustments	75	(18)	(10)
Unrealized gains (losses) on securities held by insurance affiliates	(6)	15	(5)
Gain (loss) on treasury stock dispositions	23	4	(2)
Balance December 31	$ 733	$ 641	$ 640
Retained earnings			
Balance January 1	$ 12,761	$11,493	$10,317
Adjustments	—	11	(133)
Net earnings	2,492	2,277	2,239
Dividends declared	(1,081)	(1,020)	(930)
Balance December 31	$14,172	$12,761	$11,493
Common stock held in treasury			
Balance January 1	$ 310	$ 313	$ 283
Purchases	348	283	284
Dispositions:			
Employee savings plans	(109)	(113)	(133)
Stock options and appreciation rights	(71)	(64)	(39)
Employee stock ownership plan	(41)	(43)	(37)
Dividend reinvestment and share purchase plan	(33)	(29)	(26)
Contribution to GE Pension Trust	(26)	(22)	—
Conversion of GEOCC long-term debt	(7)	(25)	(11)
Incentive compensation plans	4	10	20
Exchange for GE long-term debt	—	—	(20)
Business acquisitions	—	—	(8)
Balance December 31	$ 375	$ 310	$ 313

The current Proxy Statement includes a proposal recommended by the Board of Directors on February 13, 1987, which, if approved by share owners, would (a) increase the number of authorized shares of common stock from 550,000,000 shares each with a par value of $1.25 to 1,100,000,000 shares each with a par value of $.63; (b) split each presently issued common share, including

shares held in treasury, into two shares of common stock each with a par value of $.63; and (c) increase the number of authorized shares of preferred stock from 2,000,000 shares with a par value to $1.00 per share to 50,000,000 shares with a par value of $1.00 per share.

The beginning balance of retained earnings for 1984 as previously reported has been revised downward by $133 million to reflect the cumulative effect on years before 1984 of the Company's change during 1986 from the "full cost" method to the "successful efforts" method of accounting for oil and gas properties. Net earnings for 1984 and 1985 have been restated to reflect this change.

In December 1985, GE issued 354,000 new shares of stock having a value of $24 million for an acquisition accounted for as a pooling of interests. The beginning 1985 balance of retained earnings was increased by $11 million for this transaction but prior years have not been restated because the acquisition was insignificant to GE's operations and financial condition.

Business activities of most foreign affiliates are mainly based on the U.S. dollar, and the effect, which is not material, of translating their financial statements is included in current-year earnings. However, the functional currency for a few affiliates is other than the U.S. dollar, and the effects of translating their financial statements are included as a reduction in other capital.

22 Other stock-related information

Stock option plans, appreciation rights and performance units are described in the Company's current Proxy Statement. Requirements for stock option shares may be met within certain restrictions either from unissued or treasury shares. During 1986, options were granted to 1,043 employees. As of December 31, 1986, approximately 505 individuals were eligible to receive options and 1,528 persons held options exercisable then or in the future.

Stock option information

(Shares in thousands)	Shares subject to option	Average per share: Option price	Average per share: Market price
Balance at January 1, 1986	9,179	$49.34	$72.75
Options granted	3,013	79.78	79.78
Options exercised	(803)	35.13	75.60
Options surrendered on exercise of appreciation rights	(453)	37.36	74.29
Options terminated	(177)	62.96	—
Balance at December 31, 1986	10,759	59.23	86.00

Outstanding options and rights expire, and the award period for outstanding performance units ends, on various dates from January 1, 1987, to November 21, 1996. The number of shares available for granting additional options at the end of 1986 was 9,274,996 (12,111,642 at the end of 1985).

Requirements for shares of stock for incentive compensation plans as described in the Company's Proxy Statement may be met within certain restrictions either from unissued shares or from shares in treasury.

As of December 31, 1986, approximately 3,973 individuals were eligible to receive allotments under incentive compensation plan rules. Allotments were made for services rendered during 1986 to 3,628 employees.

23 Commitments and contingent liabilities

At December 31, 1986, the Company had minimum rental commitments under non-cancelable operating leases aggregating $2,333 million. Amounts payable over the next five years are: 1987 — $449 million; 1988 — $510 million; 1989 — $288 million; 1990 — $241 million; and 1991 — $207 million.

Also at year-end 1986, NBC had approximately $1.19 billion of commitments to acquire broadcast material or the rights to broadcast television programs that require payments over the next five years.

Other commitments and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of the management, are not considered to be material in relation to the Company's financial position.

Industry segment details

Revenues include income from all sources, i.e., both sales of products and services to customers and other income. Details of revenues for industry segment reporting are shown below. In general, it is GE policy to price sales from one component within the Company to another as nearly as practical to equivalent commercial selling prices. Slightly less than one-fourth of external sales in 1986 were to agencies of the U.S. government, GE's largest single customer. Most of these sales were aerospace and aircraft engine products and services.

Revenues
For the years ended December 31

(In millions)	Total revenues 1986	Total revenues 1985	Total revenues 1984	Intersegment revenues 1986	Intersegment revenues 1985	Intersegment revenues 1984	External revenues 1986	External revenues 1985	External revenues 1984
Aerospace	$ 4,318	$ 3,085	$ 2,622	$ 73	$ 33	$ 37	$ 4,245	$ 3,052	$ 2,585
Aircraft engines	5,977	4,712	3,835	57	87	104	5,920	4,625	3,731
Consumer products	4,654	3,220	3,466	180	131	129	4,474	3,089	3,337
Financial services	585	499	448	—	—	—	585	499	448
Industrial	4,711	4,762	4,495	596	561	322	4,115	4,201	4,173
Major appliances	4,107	3,617	3,650	—	—	—	4,107	3,617	3,650
Materials	2,331	2,119	2,280	35	37	51	2,296	2,082	2,229
National Broadcasting Company	1,817	—	—	2	—	—	1,815	—	—
Power systems	5,262	5,824	6,289	185	243	289	5,077	5,581	6,000
Technical products and services	3,266	2,317	2,402	160	113	112	3,106	2,204	2,290
All other	774	—	434	2	—	—	772	—	434
Corporate items & eliminations	(1,077)	(903)	(990)	(1,290)	(1,205)	(1,044)	213	302	54
Total	$36,725	$29,252	$28,931	$ —	$ —	$ —	$36,725	$29,252	$28,931

Assets At December 31; **Property, plant and equipment** For the years ended December 31

(In millions)	Assets 1986	Assets 1985	Assets 1984	Additions 1986	Additions 1985	Additions 1984	Depreciation, depletion and amortization 1986	Depreciation, depletion and amortization 1985	Depreciation, depletion and amortization 1984
Aerospace	$ 2,175	$ 1,367	$ 1,182	$ 311	$ 157	$ 151	$ 111	$ 81	$ 61
Aircraft engines	4,665	4,034	3,328	332	333	356	194	161	136
Consumer products	3,530	2,199	2,178	429	171	236	155	107	121
Financial services	3,455	2,734	2,311	—	—	—	—	—	—
Industrial	3,141	2,896	2,927	258	213	271	196	179	164
Major appliances	1,448	1,509	1,437	101	146	111	95	78	75
Materials	3,602	3,276	2,928	608	551	696	262	244	194
National Broadcasting Company	3,385	—	—	385	—	—	28	—	—
Power systems	3,589	3,668	3,713	127	183	307	173	290	213
Technical products and services	3,251	1,706	1,795	859	107	158	185	60	95
All other	231	—	—	95	—	14	8	—	11
Corporate items & eliminations	2,119	2,773	2,756	175	92	119	53	49	33
Total	$34,591	$26,162	$24,555	$3,680	$1,953	$2,419	$1,460	$1,249	$1,103

A reconciliation of total industry segment operating profit shown on page 35 with earnings before income taxes and minority interest is shown below.

Reconciliation of operating profit with earnings before income taxes and minority interest

(In millions)	1986	1985	1984
Total industry segment operating profit	$4,310	$4,068	$3,779
Interest and other financial charges	(625)	(361)	(335)
Corporate items not traceable to segments, and intersegment eliminations	4	(275)	(164)
Earnings before taxes and minority interest	$3,689	$3,432	$3,280

Property, plant and equipment additions for 1986 included $1,638 million acquired with RCA.

The presentation of industry segments was modified in 1986 to reflect the acquisition of RCA during the year. Industry segments in which there are no changes because of the RCA acquisition are: aircraft engines, financial services, major appliances, materials and power systems. As discussed below, the other segments include portions of RCA operations commencing with June 1, 1986. Although the RCA acquisition directly affects only 1986 amounts, presentation of industry segments for prior years has been revised in certain instances to improve comparability. These revisions include: separate reporting of aerospace, formerly included in the technical products and

services segment; and inclusion of mobile communications, formerly part of the consumer products segment, in the technical products and services segment.

Prior-year amounts have been restated for the 1986 change in accounting for oil and gas properties from the "full cost" method to the "successful efforts" method, and oil and gas results previously included in the all other segment for 1982-84 are now reflected in those years in the materials segment.

The presentation of operations by industry segment has also been modified to stress operating profit rather than net earnings, which involve numerous accounting allocations and are no longer being presented. In accordance with a release issued in 1986 by the U.S. Securities and Exchange Commission, certain unusual items (see note 7) are now included in the determination of operating profit by industry segment. Prior years have been revised accordingly. Unusual items, including the net pretax impact of unusual gains (costs), as included in operating profit are summarized below.

Unusual items included in operating profit

(In millions)	1986	1985	1984
Aerospace	$ (4)	$ (4)	$ —
Aircraft engines	4	(3)	(50)
Consumer products	(35)	40	91
Financial services	—	—	—
Industrial	(72)	(80)	(147)
Major appliances	(20)	(68)	(81)
Materials	—	(15)	(28)
Power systems	(175)	(78)	(261)
Technical products and services	2	(53)	(129)
All other	15	370	500
Corporate	24	(131)	(40)
Net reduction in operating profit	$(261)	$ (22)	$(145)

A summary description of each of the industry segments follows.

- **Aerospace** products and services span space sciences, radar systems, electronics and microelectronics, ordnance systems, avionics, computer software, space satellites, and simulation and control systems. RCA aerospace and defense businesses complement and add to GE's spectrum of aerospace activities. Most aerospace sales are to agencies of the United States government, principally the Department of Defense and the National Aeronautics and Space Administration.

- **Aircraft engines** and replacement parts are manufactured and sold by GE for use in military and commercial aircraft, for use in naval ships and for use as industrial power sources. GE's military engines are used in a wide variety of aircraft that includes fighters, bombers, transports and helicopters. CF6 engines are used in the McDonnell Douglas DC-10, the Airbus Industrie A300 and the Boeing 747. More advanced CF6 engine models have been selected to power the Boeing 747 and 767, the Airbus Industrie A310 and A300-600 and the McDonnell Douglas MD-11. Of growing importance is the CFM56 engine family produced by the joint company of GE and SNECMA of France. Applications include the Boeing 737-300 and 737-400, the re-engined McDonnell Douglas DC-8 Super 70s and the re-engined Boeing KC-135 military tanker. Advanced CFM56 engine models are used for the Airbus Industrie A320 and will be offered on the long-range Airbus Industrie A340. GE also produces jet engines for executive aircraft and regional commuter airlines.

- **Consumer products** is mainly video, audio and lighting products. Video products include black-and-white and color television receivers and video cassette recorders and cameras sold using both the GE and RCA brand names. Audio products include radios, tape recorders, citizens band radios and household telephone products using GE brand names. Video and audio products are sold primarily through independent distributors to retail dealers. This segment also includes considerable royalty income originating from RCA's worldwide licensing agreements. Lighting products include a wide variety of lamps: incandescent, fluorescent, high-intensity, halogen and specialty as well as wiring devices, lighting fixtures and ballasts, rechargeable batteries and quartz products. Markets and customers are worldwide and extremely varied, ranging from household consumers to commercial and industrial end users and original equipment manufacturers. One television station (in Denver) is also included in this segment, which in prior years included certain former GE interests in cablevision and broadcasting as well as GE's former household appliance operations (see note 7).

- **Financial services** includes a wholly owned, nonconsolidated affiliate, General Electric Financial Services, Inc. (GEFS), which in turn owns all of the stock of General Electric Credit Corporation (GECC) and Employers Reinsurance Corporation (ERC) and 80% of the stock of Kidder, Peabody Group Inc. (Kidder). GECC primarily engages directly or through affiliates in distribution sales financing, commercial and industrial financing, and real estate financing. Although leasing has been a major factor in GECC's growth in recent years, GECC has been actively changing its investment portfolio to place greater emphasis on asset management. ERC is a major participant in the property/casualty reinsurance business in the United States. Kidder is an investment banking firm whose capabilities are expected to complement GECC. Other financial services activities include two consolidated affiliates: General Electric Venture Capital Corporation provides venture capital, primarily to new or existing high-technology companies; General Electric Real Estate Credit Corporation is an equity investor in selected real estate development projects.

• **Industrial** encompasses factory automation products, semiconductors (which have been considerably augmented by RCA operations), motors, electrical equipment for industrial and commercial construction, GE Supply Company Division and transportation systems. Customers for these products generally include electrical distributors, original equipment manufacturers and industrial end users. Factory automation products cover a broad range of electrical and electronic products, including drive systems, with increasing emphasis on manufacturing and advanced engineering automation applications. Semiconductor operations provide the latest in semiconductor technologies to other GE operations as well as to external customers. An affiliate (Intersil) is a supplier of advanced integrated circuits and data acquisition products to the merchant market as well as a source of integrated circuits for GE's diversified product lines. Motors and motor-related products consist mainly of appliance motors and controls but also include larger sizes of motors for a broad range of industrial users. Motor products are used within GE and are also sold externally. Electrical construction equipment focuses on electrical distribution and circuit protection equipment needed for installation in commercial, industrial and residential buildings. GE Supply Company Division operates a nationwide network of electrical supply houses. Transportation systems include diesel-electric and electric locomotives, transit propulsion equipment, motorized wheels for off-highway vehicles, such as those used in mining operations, and drilling drives. Locomotives are sold principally to domestic and foreign railroads, while markets for other products include state and urban transit authorities and industrial users.

• **Major appliances** includes both GE and Hotpoint brands of kitchen and laundry equipment, such as refrigerators, ranges, microwave ovens, freezers, dishwashers, clothes washers and dryers, and room air conditioners. A major portion of major appliance sales is to a variety of retail outlets. The other principal market consists of residential building contractors who install major appliances in new dwellings.

• **Materials** includes high-performance engineering plastics, silicones, industrial cutting materials, laminates and ceramics that are sold to a diverse customer base (mainly manufacturers) in the United States and abroad. Materials also includes Ladd Petroleum Corporation, an oil and natural gas developer and supplier with operations mainly in the United States.

• **National Broadcasting Company** (NBC) is the current leader in network television. NBC's principal businesses are the furnishing within the United States of network television and radio services to affiliated television and radio stations, the production of live and recorded television and radio programs, and the ownership and operation, under licenses from the Federal Communications Commission (FCC), of five VHF television broadcasting stations and three standard AM and five FM radio broadcasting stations. The NBC Television Network is one of three competing major national commercial broadcast television networks and serves more than 200 regularly affiliated stations within the United States. The television stations NBC owns and operates are located in Chicago, Cleveland, Los Angeles, New York and Washington, D.C. NBC's three radio networks compete with several major national commercial radio networks. The three NBC radio networks serve more than 600 regularly affiliated radio stations within the United States. The eight radio broadcasting stations NBC owns and operates are located in Chicago, Boston, New York, San Francisco and Washington, D.C. Broadcasting operations are subject to FCC regulation and station licensing. The FCC order approving GE's acquisition of RCA includes the requirement for divestiture within 18 months of the AM station in New York and the AM station in Chicago and three FM stations — one each in New York, Chicago and Washington. These divestitures are not expected to have a material effect on GE's business, operations or financial condition.

• **Power systems** serves worldwide utility, industrial and governmental customers with products for the generation, transmission and distribution of electricity; industrial drives; and related construction, installation, engineering and repair services. Although GE remains a leader in most power systems products, domestic and foreign markets have been declining in recent years and worldwide competition has become intense. New order rates are quite low by long-term historical standards and backlogs for virtually all products are declining. Company management continues vigorous efforts to improve cost-competitiveness and to adapt products and marketing to the changing environment. Steam turbine-generators are sold to the electric utility industry, to the U.S. Navy and, for cogeneration, to private industrial customers. Marine steam turbines and propulsion gears are also sold to the U.S. Navy. Gas turbines are used principally as packaged power plants for electric utilities and for industrial cogeneration and mechanical drive applications. Centrifugal compressors are sold for application in gas reinjection, pipeline

service and such process applications as refineries and ammonia plants. Nuclear operations have become increasingly oriented toward plant support services and fuel assemblies with considerably less effort devoted to new boiling-water-type power reactors, inasmuch as there have been no nuclear plant orders in the United States since the mid-1970s and activity in international markets is very low. Power delivery products include transformers, relays, electric load management systems, power conversion systems and meters, principally for electric utilities. Construction and engineering services include management and technical expertise for large projects, such as transmission lines; maintenance, inspection, repair and rebuilding of electrical apparatus produced by GE and others; on-site engineering and upgrading of already installed products sold by GE and others; and environmental systems for utilities.

• **Technical products and services** consists of technology operations providing products, systems and services to a variety of customers. Businesses in this segment include medical systems and services, communications and information services, and the Calma Company. Medical systems include magnetic resonance (MR) scanners, computed tomography (CT) scanners, x-ray, nuclear imaging, ultrasound, and other diagnostic equipment and supporting services sold to domestic and foreign hospitals and medical facilities. The principal communications businesses are the furnishing of domestic satellite communications services by RCA Americom, which operates seven domestic satellites providing distribution services for cable television, broadcast television and radio, and voice, video and wideband data services to agencies of the federal government; and the furnishing of international communications services by RCA Globcom, which provides telex, telegram, leased communications and other services over an extensive network of international satellites and undersea cable facilities. Common carrier services of Americom and Globcom are subject to regulation by the FCC. GE's mobile communications products consist mainly of mobile and hand-carried two-way and one-way radio equipment and cellular telephones for a variety of commercial and government customers. A separate services component provides a variety of specialized services to government customers. Information services are provided both to internal and external customers by GE Information Services Company, GE Consulting Services Corporation and the GE Computer Service operation. These include enhanced computer-based communications services, such as data network services, electronic mail, electronic data interchange and automated clearinghouse services, which are offered to commercial and industrial customers through a worldwide network; application software packages; custom systems design and programming services; and independent maintenance and rental/leasing services for minicomputers and microcomputers, electronic test instruments and data communications equipment. The Calma Company designs, manufactures and sells interactive graphics systems for computer-aided design and manufacturing.

• **All other** for 1986 includes RCA's joint venture interests in audio records and tapes and a carpet manufacturer. Both of these businesses were sold to third parties in December 1986. Also, 1986 results include small RCA operations engaged in developing and selling certain new products. In prior years, the all other segment through the first quarter of 1984 includes mining activities of Utah International Inc., most of which were disposed of in 1984 and 1985 (see note 7).

25 Geographic segment information

Revenues

(In millions) For the years ended December 31	Total revenues			Intersegment revenues			External revenues		
	1986	1985	1984	1986	1985	1984	1986	1985	1984
United States	$33,543	$26,811	$25,963	$ 639	$ 671	$ 680	$32,904	$26,140	$25,283
Far East including Australia	—	—	1,017	—	—	440	—	—	577
Other areas of the world	4,384	3,650	3,330	563	538	259	3,821	3,112	3,071
Intracompany eliminations	(1,202)	(1,209)	(1,379)	(1,202)	(1,209)	(1,379)	—	—	—
Total	$36,725	$29,252	$28,931	$ —	$ —	$ —	$36,725	$29,252	$28,931

	Operating profit For the years ended December 31			Assets At December 31		
	1986	1985	1984	1986	1985	1984
United States	$3,563	$3,622	$3,270	$30,604	$22,495	$20,723
Far East including Australia	—	—	159	—	—	681
Other areas of the world	740	435	331	4,090	3,777	3,272
Intracompany eliminations	7	11	19	(103)	(110)	(121)
Total	$4,310	$4,068	$3,779	$34,591	$26,162	$24,555

Geographic segment information is based on the location of the operation furnishing goods or services. U.S. revenues include exports to external customers, and royalty and licensing income from foreign sources. Commencing in 1985, data for Far East including Australia have been combined with other areas of the world. In prior years, operations of Utah International, GE's former affiliate, had been the most significant contributor to Far East including Australia.

Revenues, operating profit and assets associated with foreign operations are shown in the tables above. At December 31, 1986, foreign operation liabilities, minority interest in equity and GE interest in equity were $1,871 million, $112 million and $2,107 million, respectively. On a comparable basis, the amounts were $2,158 million, $116 million and $1,503 million, respectively, at December 31, 1985; and $2,253 million, $118 million and $1,582 million, respectively, at December 31, 1984.

U.S. exports to external customers
(In millions)

	1986	1985	1984
Europe	$1,634	$1,215	$ 950
Pacific basin	985	965	1,125
Middle East and Africa	490	533	437
Americas	476	502	603
Other areas	124	134	140
Total	$3,709	$3,349	$3,255

26 Quarterly information (unaudited)

Operations

(Dollar amounts in millions; per-share amounts in dollars)	First quarter	Second quarter	Third quarter	Fourth quarter
1986:				
Sales of goods and services	$5,880	$7,785	$9,278	$12,268
Gross profit from sales	1,605	1,945	2,386	3,088
Net earnings	537	621	604	730
Net earnings per share	1.18	1.36	1.32	1.60
1985:				
Sales of goods and services	$6,197	$6,842	$6,521	$8,726
Gross profit from sales	1,732	1,952	1,700	2,059
Net earnings	500	576	563	638
Net earnings per share	1.10	1.26	1.24	1.40

Amounts for 1985 have been restated for the Company's change during 1986 from the "full cost" method to the "successful efforts" method of accounting for oil and gas properties. Gross profit from sales is sales of goods and services less costs of goods and services sold.

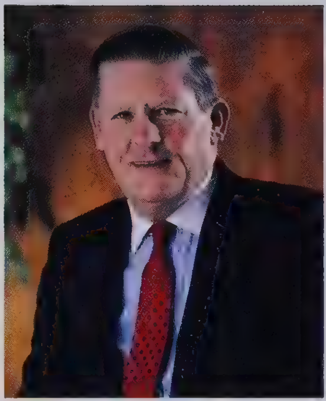
Dividends and stock market

	Dividends declared		Common stock market price range	
	1986	1985	1986	1985
First quarter	58¢	55¢	$79⅜-66½	$65¼-55⅝
Second quarter	58	55	82⅝-71½	62¾-58
Third quarter	58	55	82½-71	64½-56¾
Fourth quarter	63	58	88¾-70⅝	73⅞-56¼

In the United States, GE common stock is listed on the New York Stock Exchange (its principal market) and on the Boston Stock Exchange. As of December 8, 1986, there were about 482,000 share owners of record.

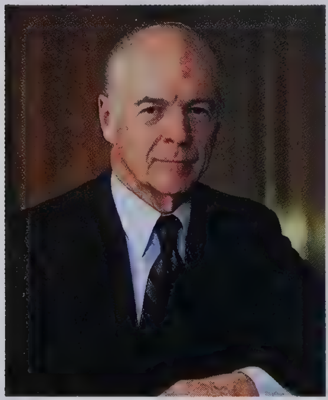
Board of Directors

Richard T. Baker
Consultant to Ernst & Whinney, public accountants, Cleveland, Ohio. Director since 1977.



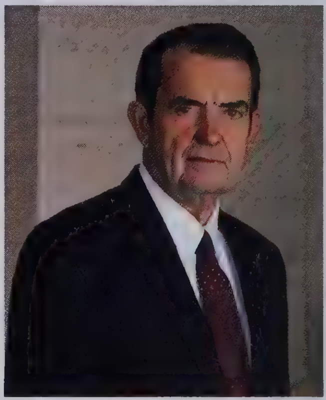
Lawrence A. Bossidy
Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1984.

Thornton F. Bradshaw
Former Chairman of the Board, RCA Corporation, New York, N.Y. Director since 1986.

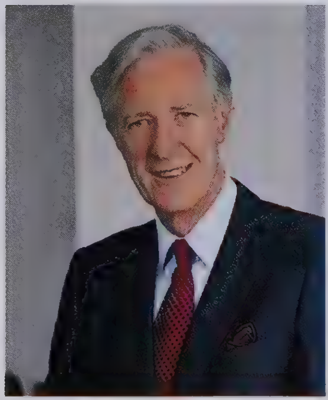


Henry L. Hillman
Chairman of the Board and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. Director since 1972.

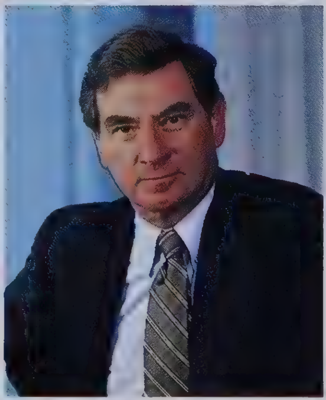
Edward E. Hood, Jr.
Vice Chairman of the Board, Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1980.



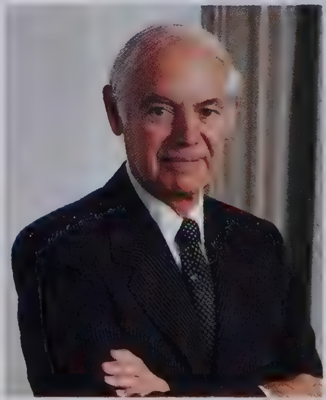
David C. Jones
Retired U.S. Air Force General and former Chairman of the Joint Chiefs of Staff, Washington, D.C. Director since 1986.



Frank H.T. Rhodes
President, Cornell University, Ithaca, N.Y. Director since 1984.

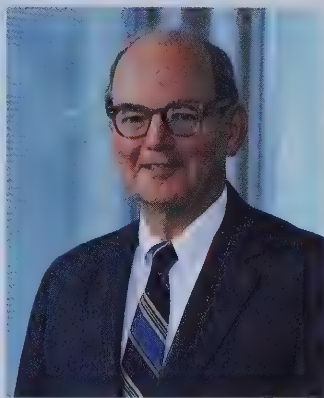


Andrew C. Sigler
Chairman of the Board, Chief Executive Officer and Director, Champion International Corporation, paper and forest products, Stamford, Conn. Director since 1984.



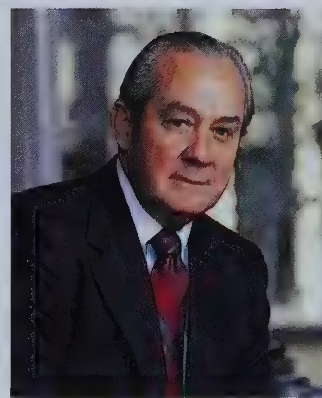
William French Smith
Senior partner, Gibson, Dunn & Crutcher, law firm, Los Angeles, Calif. Director since 1986.

Silas S. Cathcart
Director and retired Chairman of the Board, Illinois Tool Works Inc., diversified products, Chicago, Ill. Director since 1972.



Charles D. Dickey, Jr.
Director and retired Chairman of the Board, Scott Paper Company, Philadelphia, Pa. Director since 1972.

Lawrence E. Fouraker
Fellow, John F. Kennedy School of Government, Harvard University, Cambridge, Mass. Director since 1981.



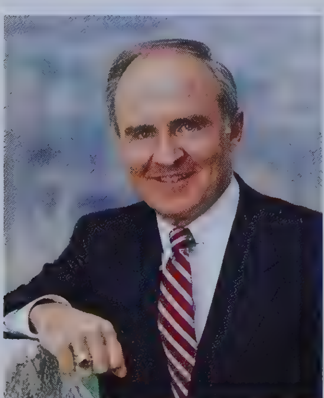
Henry H. Henley, Jr.
Retired Chairman of the Board, Chief Executive Officer and Director, Cluett, Peabody & Co., Inc., manufacturing and retailing of apparel, New York, N.Y. Director since 1972.

Robert E. Mercer
Chairman of the Board, Chief Executive Officer and Director, The Goodyear Tire & Rubber Company, Akron, Ohio. Director since 1984.

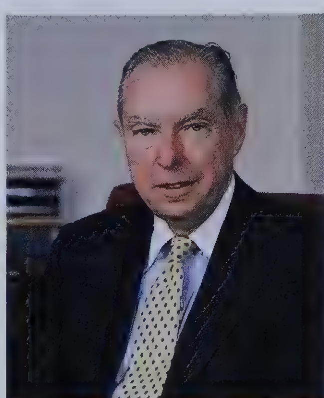
Gertrude G. Michelson
Senior Vice President–External Affairs and Director, R.H. Macy & Co., Inc., retailers, New York, N.Y. Director since 1976.

Barbara Scott Preiskel
Attorney, New York, N.Y. Director since 1982.

Lewis T. Preston
Chairman of the Board and Director, J.P. Morgan & Co. Incorporated and Morgan Guaranty Trust Company, New York, N.Y. Director since 1976.



John F. Welch, Jr.
Chairman of the Board, Chief Executive Officer and Director, General Electric Company, Fairfield, Conn. Director since 1980.



Walter B. Wriston
Retired Chairman of the Board and Director, Citicorp and Citibank, N.A., New York, N.Y. Director since 1962.

Thornton F. Bradshaw, David C. Jones and William French Smith — all former Directors of RCA Corporation — were added to GE's Board of Directors in June 1986.

Mr. Bradshaw is a former chairman and chief executive officer of RCA. Before joining RCA in 1981, he served as president of Atlantic Richfield Company for 17 years. A graduate of Harvard University, Mr. Bradshaw taught at the Harvard Business School before beginning his business career.

Mr. Jones is a retired U.S. Air Force general and was chairman of the Joint Chiefs of Staff from 1978 to 1982. Earlier in his career, he served as commander-in-chief of the U.S. Air Force in Europe and Air Force chief of staff.

Mr. Smith is a senior partner in Gibson, Dunn & Crutcher, a Los Angeles law firm that he joined in 1946. A graduate of Harvard Law School, he served as U.S. attorney general from 1981 to 1985.

James G. Boswell II, a Director since 1971, chose not to stand for re-election in 1986. Mr. Boswell provided valuable counsel during his 15-year tenure, and his interest in technology and his entrepreneurial spirit made significant contributions to the Company.

The Board, which includes the 19 Directors pictured alphabetically on the preceding pages, held 10 meetings in 1986. At its November meeting, the Board increased the quarterly dividend from $.58 per share to $.63 per share.

In addition to regular meetings, the Directors participated on the following committees that aid the Board in its duties.

The *Audit Committee,* which met four times, includes only Directors from outside GE. During the year, it reviewed the activities and independence of GE's independent public accountants and the activities of the Company's internal audit staff. The committee also reviewed the Company's internal financial controls and compliance with key GE policies, including those related to the defense procurement process.

The *Finance Committee* examined the Company's financial position, its pension funding and trust operations, its foreign investments, the impact of tax law changes on GE, the financing of the RCA merger and other matters involving large-scale utilization of Company funds. It held four meetings.

The *Management Development and Compensation Committee* met 10 times. In addition to approving changes in GE's management, it reviewed the Company's exempt salary structure and executive compensation programs.

The *Nominating Committee,* which held three meetings, considered candidates for the Board and recommended the committee structure and membership for the following year.

The *Operations Committee* met five times, including joint sessions with the Audit, Finance, and Technology and Science committees. It reviewed the status of the RCA integration as well as the operations of the Major Appliance, Aircraft Engine, Medical Systems and Plastics businesses.

The *Public Responsibilities Committee,* at its two meetings, evaluated public issues that could have a major impact on GE. It also reviewed the activities of the General Electric Foundations.

The *Technology and Science Committee* held two meetings, both joint sessions with the Operations Committee. Its activities included an inspection of RCA Aerospace and Defense facilities in New Jersey.

Committees of the Board

Audit Committee
Richard T. Baker, Chairman
Lawrence E. Fouraker
Gertrude G. Michelson
Barbara Scott Preiskel
Lewis T. Preston
Frank H.T. Rhodes

Finance Committee
Robert E. Mercer, Chairman
John F. Welch, Jr., Vice Chairman
Richard T. Baker
Charles D. Dickey, Jr.
Henry H. Henley, Jr.
David C. Jones
Frank H.T. Rhodes
Walter B. Wriston

Management Development and Compensation Committee
Walter B. Wriston, Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
Henry L. Hillman
Gertrude G. Michelson

Nominating Committee
Charles D. Dickey, Jr., Chairman
Silas S. Cathcart
Henry H. Henley, Jr.
Gertrude G. Michelson
Lewis T. Preston
Andrew C. Sigler

Operations Committee
Henry L. Hillman, Chairman
Lawrence A. Bossidy, Vice Chairman
Thornton F. Bradshaw
Silas S. Cathcart
Robert E. Mercer
Barbara Scott Preiskel
Lewis T. Preston
Andrew C. Sigler
William French Smith

Public Responsibilities Committee
Henry H. Henley, Jr., Chairman
John F. Welch, Jr., Vice Chairman
Richard T. Baker
Thornton F. Bradshaw
Lawrence E. Fouraker
Henry L. Hillman
Gertrude G. Michelson
Barbara Scott Preiskel
Andrew C. Sigler
William French Smith

Technology and Science Committee
Frank H.T. Rhodes, Chairman
Edward E. Hood, Jr., Vice Chairman
Charles D. Dickey, Jr.
Lawrence E. Fouraker
Henry L. Hillman
David C. Jones
Robert E. Mercer

Management (As of February 13, 1987)

Corporate Executive Officers

John F. Welch, Jr.
Chairman of the Board and Chief Executive Officer

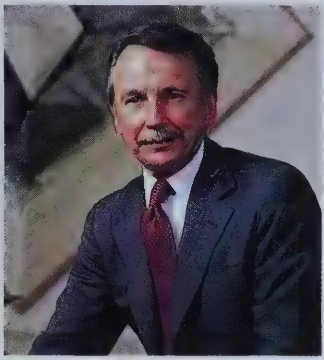
Lawrence A. Bossidy
Vice Chairman of the Board and Executive Officer

Robert W. Speetzen
Vice President

Edward E. Hood, Jr.
Vice Chairman of the Board and Executive Officer

Charles V. Sheehan
Vice President

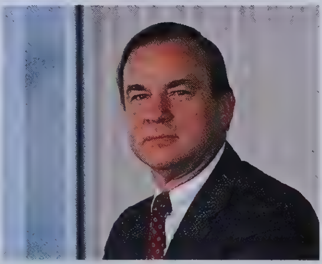
Paul W. Van Orden
Executive Vice President



Senior Corporate Officers

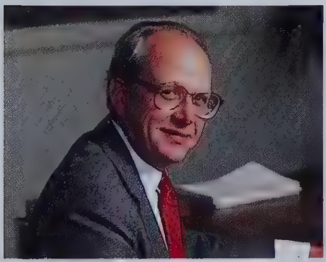
Dennis D. Dammerman
Senior Vice President, Finance

Frank P. Doyle
Senior Vice President, Relations



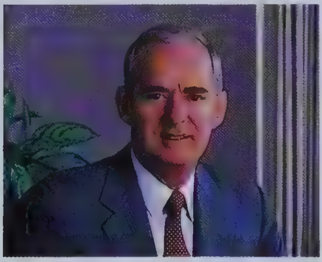
Jack O. Peiffer
Senior Vice President, Executive Management

Walter L. Robb
Senior Vice President, Research and Development



Walter A. Schlotterbeck
Senior Vice President, General Counsel and Secretary

Roland W. Schmitt
Senior Vice President and Chief Scientist



Walter W. Williams
Senior Vice President, Marketing and Sales

Corporate Staff Officers

Nigel D.T. Andrews
Vice President, Business Development and Planning

Dennis J. Carey
Vice President, Audit Staff

Thomas R. Casey, M.D.
Vice President and Medical Director

James J. Costello
Vice President and Comptroller

Dale F. Frey
Vice President and Treasurer; Chairman of the Board and President, General Electric Investment Corporation

Fred W. Garry
Vice President, Engineering and Manufacturing

Joseph Handros
Vice President and Deputy General Counsel

Joyce Hergenhan
Vice President, Public Relations

Phillips S. Peter
Vice President, Government Relations

Arthur V. Puccini
Vice President, Employee Relations

Harry T. Rein
President and Chief Executive Officer, General Electric Venture Capital Corporation

Jacques A. Robinson
Vice President, International Business Development

Edward L. Scanlon
Senior Vice President, Employee Relations – RCA

Henry J. Singer
Vice President, Marketing and Sales – Northeast

Edward J. Skiko
Vice President, Information Technology

W. Roger Strelow
Vice President, Environmental Programs

Leonard Vickers
Vice President, Marketing

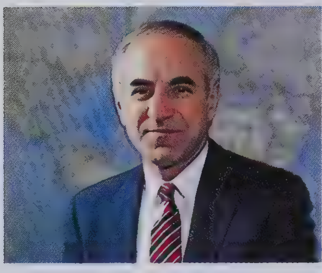
R. Howard Annin, Jr.
Vice President, Western Regional Relations

Mark J. D'Arcangelo
Vice President, Marketing and Sales – Customer Development

Operating Management (As of February 13, 1987)

Technology Businesses

Aerospace



Louis V. Tomasetti
Senior Vice President, Aerospace

Nicholas Boraski
Vice President, Defense Systems

Allan J. Rosenberg
Vice President, Federal and Electronic Systems

Robert G. Stiber
Vice President, Avionic and Electronic Systems

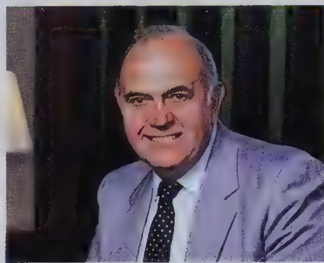
Ladislaus W. Warzecha
Vice President, Aerospace Resources

Aerospace and Defense

John D. Rittenhouse
Executive Vice President, Aerospace and Defense – RCA

Charles A. Schmidt
Vice President, Astro-Space

Aircraft Engine



Brian H. Rowe
Senior Vice President, Aircraft Engine

Richard L. Burke
Vice President, Lynn Production

Robert D. Desrochers
Vice President, Finance

Sam Dolfi
Vice President, Human Resources

Robert C. Hawkins
Vice President, Lynn Product Operations

Lee Kapor
Vice President, Commercial Engine Operations

Edward C. Bavaria
Vice President, Airline Marketing

Robert J. Smuland
Vice President, Marine & Industrial Engines and Service

W. George Krall
Vice President, Evendale Production

Frank E. Pickering
Vice President, Engineering and Technology

Robert C. Turnbull
Vice President, Military Engine Projects and Programs

George H. Ward
Vice President, Government Products Programs

Factory Automation

Marion S. Richardson
Vice President, Factory Automation

Robert P. Collins
President and Chief Executive Officer, GE – Fanuc Automation North America, Inc.

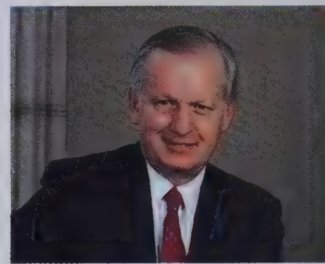
Joel Tenzer
Vice President, Drive Systems

Medical Systems

John M. Trani
Senior Vice President, Medical Systems

Robert L. Stocking
Vice President, Marketing

Plastics



Glen H. Hiner
Senior Vice President, Plastics

Paul L. Dawson
Chairman of the Board and Chief Executive Officer, General Electric Plastics B.V.

Thomas H. Fitzgerald
Vice President, Business Integration

Philip M. Gross
Vice President, Silicone Products

Herbert G. Rammrath
Vice President, Sales

L. Donald Simpson
Vice President, Manufacturing

Uwe S. Wascher
Vice President, Marketing

Joseph G. Wirth
Vice President, Technology

Core Manufacturing Businesses

Construction Equipment

Gary L. Rogers
Vice President, Construction Equipment

David M. Engelman
Vice President, Sales

Lighting

John D. Opie
Senior Vice President, Lighting

Eugene F. Apple
Vice President, Technology

William S. Frago
Vice President, Marketing and Sales

Robert P. Mozgala
Vice President, Production

Major Appliance

Roger W. Schipke
Senior Vice President, Major Appliance

Thomas E. Dunham
Vice President, Production

Bruce A. Enders
Vice President, Marketing

Stephen J. O'Brien
Vice President, Sales and Service

Gerald R. Cote
Vice President, Consumer Services

John C. Truscott
Vice President, Technology

Motor

David C. Genever-Watling
Vice President, Motor

Roger D. Morey
Vice President, Marketing

Power Systems

John A. Urquhart
Senior Vice President, Power Systems

Neil L. Felmus
Vice President, Nuclear Energy

Bertram Wolfe
Vice President and Chief Scientist, Nuclear Systems Technologies

Russell L. Noll, Jr.
Vice President, Turbine

Michael D. Lockhart
Vice President, Finance and Business Support

Delbert L. Williamson
Vice President, Marketing

Clyde D. Keaton
Vice President, Utility & Industrial Sales and Services

Eugene J. Kovarik
Vice President, Power Delivery

J. Richard Stonesifer
Vice President, International Sales and Services

Frank D. Kittredge
Vice President, International Sales Development

Giorgio Orsi
Managing Director, SADE/SADELMI Construction

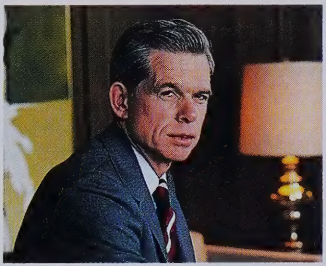
Transportation Systems

Carl J. Schlemmer
Vice President, Transportation Systems

Operating Management, continued

Services Businesses

Communications and Services



Eugene F. Murphy
Senior Vice President, Communications and Services

Anthony L. Craig
President, General Electric Information Services Company

Financial Services

Gary C. Wendt
President and Chief Operating Officer, General Electric Financial Services, Inc.; President and Chief Executive Officer, General Electric Credit Corporation (GECC)

Leo A. Halloran
Senior Vice President, Finance

Michael A. Carpenter
Executive Vice President

Dan L. Hale
Senior Vice President, GECC Corporate Finance Services

James H. Ozanne
Executive Vice President

Bernard P. Long
Senior Vice President, GECC Distribution Sales Financing

Ralph D. DeNunzio
Chairman and Chief Executive Officer, Kidder, Peabody Group Inc.

Michael G. Fitt
President and Chief Executive Officer, Employers Reinsurance Corporation

NBC

Robert C. Wright
President and Chief Executive Officer, National Broadcasting Company, Inc.

Robert C. Butler
Group Executive Vice President

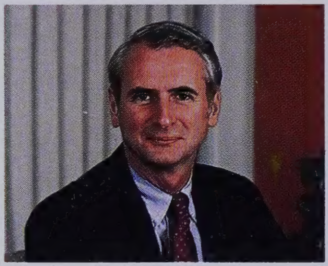
Lawrence K. Grossman
President, NBC News

Raymond J. Timothy
Group Executive Vice President

Robert S. Walsh
Group Executive Vice President

Support Operations

Consumer Electronics



Richard W. Miller
Senior Vice President, Consumer Electronics

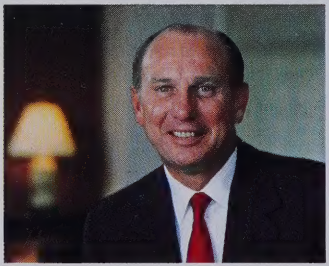
D. Joseph Donahue
Vice President, Engineering

Joseph F. Fogliano
Vice President, Manufacturing

Martin J. Holleran
Vice President, Sales and Distribution

Richard E. James
Vice President, Marketing

Corporate Trading



James R. Birle
Senior Vice President, Corporate Trading

John W. Perdiue
Vice President, GE Supply

Charles P. Pieper
President and Chief Executive Officer, GE Trading Company

Bruce O. Roberts
Vice President, Sourcing

Ladd Petroleum

John H. Moore
Chairman of the Board and Chief Executive Officer, Ladd Petroleum Corporation

Semiconductor

Carl R. Turner
Vice President, Semiconductor

James E. Dykes
Vice President, Business Development

Calma

Daniel W. McGlaughlin
President, Calma Company

Canada/Latin America

William R.C. Blundell
Chairman of the Board and Chief Executive Officer, Canadian General Electric Company Limited

Robert T.E. Gillespie
Executive Vice President

Jurgen F. Niffka
Chairman of the Board and Chief Executive Officer, General Electric do Brasil S.A.

Paul H. Way
Chairman of the Board and Chief Executive Officer, Caribbean General Electric Company, Inc.

Rodger E. Farrell
Vice President and General Manager, Andean Countries

International

Paolo Fresco
Vice President, International Operations

Corporate Information

Corporate Headquarters

General Electric Company
3135 Easton Turnpike
Fairfield, Conn. 06431

Annual Meeting

The 1987 Annual Meeting of the General Electric Company will be held on Wednesday, April 22, at The Governors House Hotel and Conference Center in Montgomery, Ala.

Dividend Reinvestment Plan

Share owners who have one or more shares of GE stock registered in their names are eligible to participate in the GE Dividend Reinvestment and Share Purchase Plan. For an authorization form and prospectus, write to: Share Owner Services, General Electric Company, P.O. Box 206, Schenectady, N.Y. 12301.

Principal Transfer Agent and Registrar

The Bank of New York
Attn: Receive & Deliver Department
90 Washington Street
New York, N.Y. 10015

Form 10-K and other reports

The financial information in this Report, in the opinion of management, substantially conforms with or exceeds the information required in the "10-K Report" to be submitted to the Securities and Exchange Commission at the end of March. Certain supplemental information is in that report, however, and copies without exhibits will be available, without charge, on or about April 15 from Corporate Investor Communications, General Electric Company, Fairfield, Conn. 06431.

Copies of the General Electric Pension Plan, the Summary Annual Report for GE employee benefit plans subject to the Employee Retirement Income Security Act of 1974 and other GE employee benefit plan documents and information are available by writing to Corporate Investor Communications and specifying the information desired.

The Annual Reports of the General Electric Foundations also are available on request.

Domestic employment

There were significant increases in the percentage of women and minorities among GE managers and professionals during the year ended September 30, 1986, reflecting beneficial results of the RCA merger and of GE's continuing commitment to Equal Employment Opportunity.

Women now represent 8.5% of GE management, up from 6.3% in 1985. Women also represent 16.5% of the professional work force, up from 13.4%. Minorities, likewise, showed significant gains. The percentage of minority managers increased from 4.9% to 5.6% and the percentage of minority professionals went from 7.4% to 8.5%. In all, 2,742 women and 1,805 minorities held management positions while 11,137 women and 5,756 minorities were in the professional work force. Minorities account for 11.4% and women 27.6% of all employees.

Note: Unless otherwise indicated by the context, the terms "GE," "General Electric" and "Company" are used on the basis of consolidation described on page 38. Unless otherwise indicated by the context, the terms "RCA" and "RCA Corporation" mean RCA Corporation and all of its "affiliates" and associated companies as those terms are used on page 38 as well as those companies whose ownership was transferred from RCA to GE subsequent to GE's acquisition of RCA.

1986 Annual Report

Bulk Rate
U.S. Postage
PAID
General Electric Company

General Electric Company
Fairfield, Connecticut 06431